

Corporate Social Responsibility and local communities as stakeholders

A case study from Barcarena, in the Brazilian Amazon

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Abstract

Barcarena, a city located in the Brazilian Amazon, was a small town until the 1970's, but a massive aluminium production plant was built in the region in the 1980's and the alumina and primary aluminium plants were responsible for a drastic economic shift from agriculture to industry. The Brazilian company Vale was the major shareholder of the production chain until 2011, when it sold its shares to Norwegian Hydro. The plants caused serious environmental problems, while not contributing sufficiently to the socio-economic development of local people. Following a serious environmental accident in Barcarena, the local prosecutor in charge demanded compensation to be paid partly in the form of capacity building of the local communities. The purpose of this explanatory case study is to understand how this came about, and what was the effect on the power of local communities, as stakeholders, to gain voice and influence. In order to support my analysis, this study uses Stakeholder Theory and Corporate Social Responsibility literature to establish a conceptual framework. The primary data gathered during fieldwork in Brazil was collected through qualitative methods, such as elite interviews with NGOs, Hydro and municipal government and semi structured interviews with community leaders.

Keywords: CSR, local stakeholder, capacity building, development

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Abbreviations

Albras: Alumínio Brasileiro S/A

Alunorte: Alumina do Norte do Brasil

ARF: Alunorte Rain Forest football team

CAA: Conduct Adjustment Agreement

CAP: Companhia de Alumina do Pará

CSN: Companhia Siderúrgica Nacional

CSR: Corporate Social Responsibility

CVRD: Companhia Vale do Rio Doce

IBGE: Instituto Brasileiro de Geografia e Estatística

IEC: Evandro Chagas Institute

IEB: International Institute of Brazilian Education

NAAC: Nippon Amazon Aluminum Corporation

NCA: Norwegian Church Aid

NGO: Non-Governmental Organization

ODW: Operation Day's Work campaign

SUM: Center for Development and the Environment - University of Oslo

WBCSD: World Business Council for Sustainable Development

WCED: World Commission on Environment and Development

1. Introduction

1.1 Research Question and Context Background

This thesis is a case study on local communities as stakeholders regarding Corporate Social Responsibility of the Norwegian company Hydro's aluminium production chain in the Brazilian Amazon. The aim of this research is to understand how and why local communities seem to be gaining more power to influence Hydro in Barcarena and how social and environmental factors contributed to this scenario. In addition to that, the thesis discusses what the local communities expect from the corporation.

This is a study about local people living in a small town in the relatively isolated region of Northern Brazil which was turned into the core of a billionaire aluminium production chain in the 1980's. Back then, the Brazilian government had launched a program of incentives to bring industry activities to the Amazon region. Among the aspects that motivated the plan, was the world oil crisis which increased the price of aluminium - especially in Japan, a major consumer of aluminium. Japanese investors joined the Brazilian program with the Albras project (primary aluminium plant) and some years later, Brazilian Vale invested in the Alunorte project (alumina plant), two integrated industries in Barcarena. The Albras/Alunorte complex is still the biggest industry in the municipality by far (total revenue of US\$ 2.4 billion in 2011).

However, the new business implied serious risk to the local ecosystem. As the first stage of the production chain, the industrial plant of Alunorte generates alumina from bauxite using the Bayer process¹. The main residual component of this process is called red mud, which cannot be disposed easily and is

1 "The Bayer refining process used by alumina refineries worldwide involves four steps - digestion, clarification, precipitation and calcination". Source: Alcoa (www.alcoa.com, accessed in 10/03/2014).

normally stored in open pools after some preliminary treatment (Figure 1). In fact, there is a risk of contamination from the red mud. In April 2009, there was a discharge in the Murucupi River in Barcarena which caught media attention and concerned the local community. Researchers of Evandro Chagas Institute proved that the red mud accident in the river caused physical and chemical changes in the local community source of water and consequently environmental impacts and health risks to the population (IEC 2009). The second stage of the chain is the production of aluminium by Albras which requires a massive amount of water and intense and constant usage of energy. In order to fulfil that demand, an area of 2,875 km² was flooded by the Tucuruí hydroelectric plant in 1984, causing the expropriation of about 10,000 families of small farmers and the displacement of indigenous people, such as Pacuruí and Parakanã (Wanderley 2004).



Figure 1: Alunorte and Albras plants in Barcarena

Source: Google Earth

Not only has this led to environmental damage, the development scenario has changed Barcarena and failed to result in wealth for local people. Millions of dollars and hundreds of workers moved to Barcarena, which used to be known by fishery, agricultural and fruit productions like *açaí* berry, *pupunha* (palm tree) and pineapple. The population growth is clear through the analysis of the

official numbers. In the 1970's the population was 17,498 inhabitants (IBGE 1970) while in 2013, 109,975 people were living in Barcarena, according to local government statistics. Over the last 40 years, the local communities have witnessed a social struggle, especially when it comes to the precarious sanitation, urban violence, drug trafficking, lack of good housing and economic alternatives for the local population.

Moreover, the business sector complains that the local government is absent, instead of investing the taxes paid by the industry in infrastructure and environmental regulations. In short, people from Barcarena have been the most vulnerable stakeholder of the aluminium complex.

In contrast to that, there have been two important recent events regarding local communities' power to influence the business (Figure 2). The first one was the compliance agreement (Conduct Adjustment Agreement, CAA) elaborated after an environmental accident in 2007 by a kaolin² company affecting a river in the Barcarena region. The second important episode was in 2011, when Norwegian company Hydro bought the majority of shares of the aluminium production chain in Barcarena.

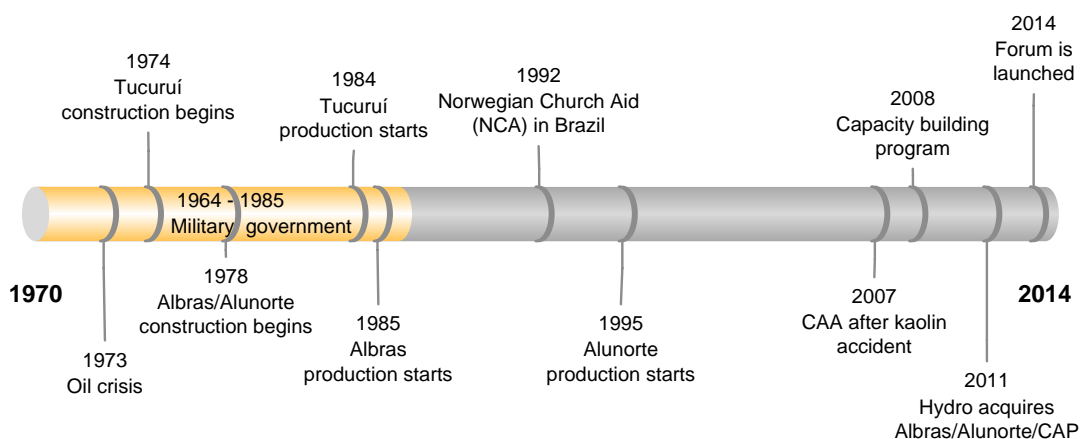


Figure 2: Relevant events in Barcarena 1970-2014

Source: organized by the author

² Kaolin (also called china clay) is a soft white clay that is the main ingredient in the manufacture of porcelain and is widely used in the making of paper, plastics, rubber and paint.

The first event was important because CAA document from 2007 included an article explaining that the compensation paid by the company should address a budget devoted exclusively to a capacity building program of local communities. The main goal of this process was to strengthen the political capacity of civil society and establish its role in designing future alternatives for the municipality. At that time, Brazilian NGO International Institute of Brazilian Education (IEB) was brought in to supervise workshops and seminars with local community leaders. Some of the topics discussed were Sustainable Development, Public Budget and Corporate Communication.

The second event raised the possibility of changes in Corporate Social Responsibility (CSR) regarding the biggest business in town. Since the beginning, Brazilian company Vale was the main owner of the aluminium production chain. In 2011, Hydro purchased the majority of the Albras (51%)/Alunorte (91%)/CAP (81%) complex. Plus, NGO Norwegian Church Aid (NCA) started to act as an additional watchdog³, motivated by the fact that Hydro is Norwegian. As reported at NCA website, one of the main focuses of the organization is Corporate Social Responsibility (CSR) of Norwegian companies around the globe.

In sum, a new scenario came up with the main actors being: the local communities, Hydro, other industries in Barcarena, municipal government, the prosecutor and two NGOs, IEB and NCA.

1.2 Methodology and Theoretical Framework

The methodology chosen was explanatory case study. A case study is expected to grasp the complexity of a single case. Furthermore, a case study investigates a contemporary phenomenon within its real-life context, when the boundaries

³ “Watchdog is a person or a group that monitors the practices of companies providing a particular service or utility”. Source: Oxford dictionary (www.oed.com accessed in 08/05/2014).

between phenomenon and context are not clearly evident, and in which multiple sources of evidence are used (Yin 1994:12).

In order to collect data to explain how local community perceives Hydro CSR, I have applied qualitative methods. Qualitative methods include a variety of techniques, from participant observation and writing of ethnography, to semi-structured interviews, oral histories and group discussions (Scheyvens 2003). The qualitative approach has tended to focus on one or a small number of cases, to use intensive interviews or in-depth analysis of historical material (King et al. 1994:4).

During the fieldwork, I collected both primary and secondary data. Primary data is information obtained directly from the researcher's first-hand sources. In this case, primary data was gathered through direct observation in Barcarena (Brazil) and during interviews which can be divided in two categories: elite interviews with Hydro managers, with Brazilian prosecutor, municipal government representative and NGOs (IEB and NCA); and depth semi structured interviews with communities' leaders and local people from Barcarena. Secondary data is information which was previously documented by other projects or for other purposes. In this study, I made use of IEB documents, theoretical literature, Hydro documents, newspapers online, corporate newsletters, corporate websites and annual sustainability reports.

In order to support my analysis, this study employs Stakeholder Theory and the Corporate Social Responsibility literature to establish a conceptual framework. Stakeholder Theory asserts that business needs to consider the interests of groups affected by firms. Stakeholders are widely defined as suppliers, customers, employees, stockholders, local communities, "groups or individuals with whom the organization interacts or has interdependencies" (Carroll 1993:60).

Mitchell et al. (1997:875) propose a diagram of identification and salience (Figure 3) which recognizes classes of stakeholders by their possession or

attributed possession of one, two, or all three of the following attributes: (1) the stakeholder's power to influence the firm, (2) the legitimacy of the stakeholder's relationship with the firm, and (3) the urgency of the stakeholder's claim on the firm. The combination of all three attributes is the defining feature of highly salient stakeholders in area 7 ('definitive stakeholder').

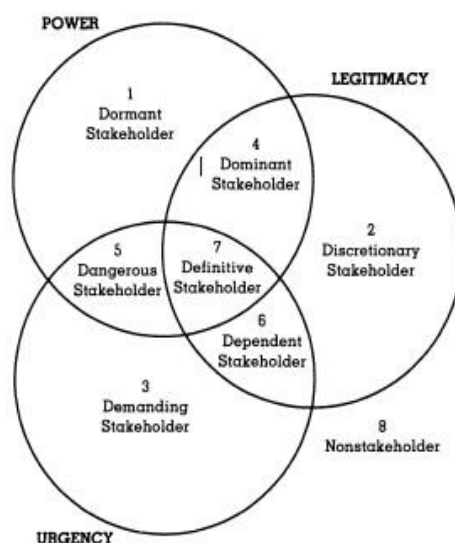


Figure 3: Stakeholder identification

Source: Mitchell et al. 1997:874

This study will use the model to analyze the perspective of local communities as stakeholder of Norwegian company Hydro. The further analysis and justification of these terms will be discussed in chapter Four.

1.3 Research Purpose and Relevance

This thesis studies a case of Corporate Social Responsibility by a Norwegian company in Brazilian territory. The goal of the research is to contribute to better understanding of the involvement of local communities in corporate decisions by an international company promoting social and environment sustainability. Recent literature on development does not give much attention

to the expectations of local people in this particular debate. The research concerns a specific case - of Barcarena communities – but one of the purposes is to contribute to a larger debate about CSR and local communities' empowerment.

My interest in this study is especially due to the combination of three inter-related aspects: 1) the exercise of Corporate Social Responsibility by an aggressive industry's activities operating in the Amazon - a vulnerable ecosystem and poor rural local community; 2) the transfer of the business from a Brazilian company to a Norwegian company in 2011 and 3) the capacity building process of local stakeholders to pressure the business.

1.4 Sustainable Development

According to the concept discussed in the Brundtland Report in 1987 by World Commission on Environment and Development, sustainable development is defined by the development that “meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED 1987:8 in McNeill 2000). In other words, it is the challenge to ensure that economy will continue developing in fair social process and without compromising the natural resources that our children will demand in the future. Moreover, the concept was brought into discussion when people realized that environmental issues were increasing as a result of fast development of western society and in what foundation future reality would be built on in case of not diminishing the negative impacts in nature.

Ever since its definition, sustainable development has been the drive behind various projects and policies that were aimed at combating the forces responsible for the alarming increase in environment degradation.

However, when trying to implement the concept behind the theory, several challenges appear. By critically examining the term “sustainable development” we find the existence of an inherent contradiction. Simply put,

development relates to the increased improvement in the material wellbeing of people through growth, on the other hand sustainable development implies limits on growth.

According to the discussion above, this study identifies two main players of the case: on one side, Norwegian Hydro, and on the other side, local communities in the Brazilian Amazon. More specifically, we see a company from developed Norway operating in a developing country, Brazil. This brings up the discussion of “rich nations” activities polluting “poor countries” environment. One might comment that this can create an unfair situation, with the headquarters in Oslo applying demanding codes of conduct and sustainability standards, while the aluminium production chain is polluting the soil and water supply in the countryside of Brazil. However, as observed by NGO project leader Arne Dale, there is a continuing economic need for aluminium worldwide and that fact will not change in the next years, so it is not a local matter but a worldwide situation. The question is how to manage economic development while respecting local social demands and environmental vulnerability.

1.5 Scope and Limitations of this study

The intention of this research is to understand how communities’ leaderships in Barcarena perceive Hydro CSR and how this group responds to social and environmental issues as local stakeholders. Due to limit time for fieldwork, this study did not conduct a large-N survey representative of all local people from Barcarena. Rather, it was decided to interview representatives of local neighborhoods (e.g. leaders, presidents of community centers). This study relies on the idea that those leaderships are chosen by the majority of the community to represent their interests.

This study is also aware that single cases are not as strong a basis for generalizing to a population of cases as other research designs. However,

business sector, academics, NGOs and other local communities which connect with this case can learn much that is general from single cases.

In order to describe my own role as a Brazilian researcher studying a Brazilian case study it may be useful to give a very brief summary. I was born and raised in the state of Santa Catarina, in Southern Brazil, which is known as one of the most developed region of the country according to educational, health and poverty rates (UNDP website). After my bachelor graduation (Journalism), I moved to Rio de Janeiro where I worked for four years. Not only that experience was important professionally, but also for personal growth due to daily challenges of social inequalities and urban violence plus for meeting extraordinary people and culture. When I started planning my trip to Pará, I felt it was a new opportunity to understand the plurality of the Brazilian scenario. I had already visited all five regions of Brazil, including the North, but the North is by far the most contrasting one when compared to where I grew up in the South, both culturally and socially. Nevertheless, I believe I am giving an insider-outsider perspective to this study. Although I am Brazilian, many things came across as new to me.

1.6 Structure of the thesis

This thesis is composed by six main chapters. In the following chapter I will describe the Methodology Approach to this research project. In chapter Three I will present the case study. In chapter Four I will propose a Theoretical Framework for this thesis on Stakeholder Theory and CSR literature. Chapter Five will analyze the dynamic empowerment process of local communities in Barcarena. Finally, the concluding chapter will summarize the discussion and offer further reflections on Corporate Social Responsibility in the Amazon.

2. Methodology

The research design is the logical sequence that connects the research question, the empirical data and its conclusions. Yin (1994) explains that the research design is an action plan for getting from *here* to *there*, where *here* may be defined as the initial set of questions to be answered, and *there* is some set of conclusions or answers about these questions.

2.1 An interdisciplinary approach

Research can benefit much from interdisciplinary plurality. Drawing on different disciplines helps finding insights - that may either conflict or complement each other. The comparison of these different disciplines helps to better visualize the topic.

Potential weaknesses of interdisciplinary include the communication gap between representatives of single disciplines and the risk of being superficial when combining a large number of approaches in a single research. These are weighed against potential benefits of interdisciplinarity. “To undertake interdisciplinary research is not easy. Some of the problems are intellectual, others are of a practical/organizational nature, either for the individual or the institution concerned” (McNeill 1999:319).

2.2 The case study approach

This research is an explanatory case study about a group of local communities in Barcarena (Brazil) and its relationship with Corporate Social Responsibility of Norwegian company Hydro.

The reasons for studying this case originated from my interest in Corporate Social Responsibility (CSR) in accordance to the interdisciplinary approach of lectures attended at Center of Development and Environment in University of Oslo (SUM/UiO). My starting point was Norwegian Corporate Social

Responsibility and business operating abroad. Since I have always been interested in local communities in the Amazon, I considered studying a case of a Norwegian company inside Brazilian Amazon. After reading about the subject and, more importantly, talking to people related to the aluminium production chain in Pará, I decided on my topic.

As stated in Yin (1994), the case study allows an investigation to retain the holistic and meaningful characteristics of real-life events, such as individual life cycles, organizational and managerial processes, neighborhoods change, international relations, and the maturation of industries (Yin 1994:3).

Moreover, a case study is an in-depth study of a particular situation, focusing in-depth on a single case to truly formulate hypotheses or theories.

Nevertheless I am aware that single cases are not such a strong base for generalizing to a population of cases as other research designs. However, people can learn much that is general from single cases.

In other words, Stake (1995) also explained the importance of emphasis on uniqueness of the case itself. “The real business of case study is particularization, not generalization. We take a particular case and come to know it well, not primarily as to how it is different from others but what it is, what it does” (Stake 1995:8).

Taking that into consideration, here I propose a list of qualitative research methods as my main tool to find if the empowerment of local communities in Barcarena towards Hydro CSR contributes to transparent goals from the industry and a more participant role for civil society. I agree that case studies rely on many of the same techniques as a story (e.g. secondary sources), in addition to two other sources of evidence, which are direct observation and systematic interviewing (Yin 1994). Here I will analyze a triangulation of multiple sources of evidence, such as documents, interviews and observations. Nevertheless, a major strength of case study data collection is the opportunity to use many different sources of evidence, as an integrated system.

2.3 Data gathering

In order to present my process of data collection, I will divide it here in two parts: pre-fieldtrip and fieldtrip. As noted by Stake (1995), data gathering begins before there is commitment to do the study. One cannot ignore the advantage of the background, and acquaintance with other cases. For instance, as a Brazilian I have been following national news about industry in the Amazon for years regardless of any concrete plans of a master thesis. According to Yin (1994), a considerable proportion of all data is impressionist, picked up informally as the researcher first becomes acquainted with the case.

During the first phase of the research, I have consulted many news articles about the impact of the aluminium production chain in the Amazon from local (Pará) and national (Brazilian) websites, magazines and newspapers. Then, I have started reading articles on Brazilian NGOs websites. The next step was looking for people related to the industry in Barcarena. After background research, I met a former consultant engineer of Hydro who agreed to talk informally about Hydro Corporate Social Responsibility (CSR), the social situation of the municipality and his experience living there. After a one-hour phone call with him, I was feeling confident that I had found my topic. The source was decisive to double-check my first impressions of Hydro in Barcarena and until the end of my fieldwork he turned out to be a very helpful informant. An informant is just someone who knows a lot about the subject and is willing to talk. “As interviewees, the informants can provide observations, often already second-hand observations that the researchers cannot see for themselves” (Stake 1995:67).

After that conversation, I started studying the history and geography of Barcarena as well as collecting data about Hydro CSR in Brazil. During the same period, I was trying to contact a person inside Hydro Brazil for a preliminary talk and in order to check to what extent the company would

accept to contribute to my research. That turned out to become my first elite interview of this study. ‘Elite’ is a group that control specific resources by means of which they acquire political power and material advantage. They have a particular role to play in a subject of the interview. Moreover it is a group of individuals that due to their economic resources, expertise, social networks or position on political/organization stand in a privileged position.

It took a couple of months of exchanging e-mails with several Hydro departments until I could finally get in touch with the head of CSR at Hydro Brazil. On December 2013, I travelled to Rio de Janeiro and conducted the interview at Hydro’s office in Botafogo, where I was introduced to CSR programs in Barcarena. Given the opportunity to be inside the company, I took the chance to engage in informal conversations with business assistants, which gave me some idea of the corporate environment of Hydro in Brazil. At the office I found many institutional books and brochures that I could not find online during the previous months of research such as a copy of “Alunorte, uma história de sucesso” (2005), a book of the history of aluminium production chain in Pará since the 1970’s.

Back in Norway I interviewed a project leader of Norwegian NGO, NCA, at their office in Oslo. Meanwhile I conducted a semi-structured interview with the former consultant engineer of Hydro via Skype and another with the Brazilian NGO, IEB. In fact, this last conversation was essential for deciding my angle for the research and gave me the opportunity to apply snowball sampling. Snowball sampling may be defined as a “technique for gathering research subjects through the identification of an initial subject who is used to provide the names of other actors” (Faugier & Sargeant 1997). In my case, IEB project coordinator Maura Moraes gave me a list of names in the local community which later opened possibilities for expanding my network. Faugier & Sargeant (1997) also mentioned that this approach has been utilized primarily as a response to overcome the problems associated with sampling populations socially isolated. I would not specify Barcarena local communities

as extremely isolated groups socially, but I did face difficulties to reach them during the period of time when I was in Oslo. Most of local communities' leaderships did not have an e-mail account while mobile phones had bad reception.

Over a period of four months I planned my fieldtrip to Barcarena, including interviews with local communities' leaderships and elite interviews with Hydro in Pará and Brazilian NGO, IEB. Since I was going alone, I also spent an amount of time organizing logistics such as transportation and accommodation. In parallel, I started studying theories and the background of the topic.

My fieldtrip began in July 2014 and the second part of my data collection as well. The fieldwork plan involved one day in Belém, capital of state of Pará, one week in Barcarena and two days of traveling. Due to personal reasons and lack of financial resources, I could only stay for a short but intensive period of time in Pará. Therefore, I had confirmed time and place of eleven interviews in advance, which was very helpful. As mentioned by Rubin (2005), the process of deciding who will be your interviewees is central to building confidence of the study results:

You do not necessarily have to talk to a lot of people, but you have to talk to people who have had the appropriate experience, are knowledgeable, and are able to explain to you what they know. You need to select interviewees who collectively present an overall view of your topic, while at the same time choosing them with sufficiently different backgrounds to provide convincing evidence for the theory you are trying to build (Rubin 2005:70).

In total, I conducted 15 interviews during the fieldtrip: two social workers of NGO IEB, five local communities' representatives, two CSR managers of Hydro, two students and football players of Hydro's team, two consultant engineers, one special advisor of the Public Ministry and one local taxi driver.

The consultant engineers of Hydro and the taxi driver preferred to stay anonymous. All the others had no reservations to audio record the interviews and publish their names in this thesis.

2.4 Interviews

All the interviews were conducted between me and the informant alone. Once I travelled to Pará by myself both interviews and direct observation were made exclusively by me. Language was not a problem because I am Brazilian and a fluent Portuguese speaker. Notwithstanding, sometimes I had to ask my interviewees to explain some specific local expression or double-check regional vocabulary.

Firstly, I will describe the visit to IEB office in Belém which was the first leg of the trip. The easiest way to get there is by a two-hour flight from Brasília, the capital of Brazil. I arrived at IEB headquarters, where I conducted a semi structured interview with the project assistant and then with the project leader. Semi structured interviews are designed to have a number of questions prepared in advance but also designed in a way to be sufficiently open so the subsequent questions may be improvised according to the answers. During my visit to IEB office, I had access to documents and books that were essential for later understanding of the capacity building process in Barcarena.

On the second day I started my conversations with the local community leaders in Barcarena. To reach Barcarena one can choose between two options: a 120 km ride by bus or a 2 hour trip by boat. Even though it took a longer journey, I decided to go by boat since it is the most popular way of transportation among local people.

Once there, I found that Barcarena is divided in three main districts. The Old Barcarena, Vila dos Cabanos and the Industrial District. I arrived at the old town where I could find the main church, a bank agency, a residential neighborhood, the main square and few small shops around it. Vila dos

Cabanos is a 15 minute car drive from Old Barcarena. It was settled as a proletarian neighborhood by Albras in the 1980's. There are schools, restaurants, supermarket and local shops. Since it is more central, I stayed in Vila dos Cabanos during that week. And finally, the Industrial District which is located further west, where Albras and Alunorte are settled, the two biggest plants in Barcarena. Smaller neighborhood such as Itupanema, São Francisco and Vila do Conde are located around these three districts.

I had previously talked to all of the fieldwork's informants over the phone when I was in Oslo with exception of the special advisor of the Public Ministry and the three anonymous sources. At that time I introduced myself as a master student with no connections whatsoever with Hydro, NGOs or local government. That was an important statement to build trust. All community leaders that I reached agreed to talk to me personally. In order to let them feel at ease, I asked them to choose the time and place to talk. Two of them asked to meet them at their local community center, one decided to talk to me at the hotel's restaurant and two other leaders were available for interviews during lunch break from an environmental workshop. Previously, I had prepared an open-ended interview guide, in which I was able to ask my respondents for the facts of a subject as well as for the respondent's opinions about events. At some situations, I proposed them to give me their own insight into certain episodes. "Qualitative interviews are conversations in which a researcher gently guides a conversational partner in an extended discussion" (Rubin 2005:4-5). Unlike survey research, in which exactly the same list of questions is asked to each informant, in qualitative interviews each conversation is unique.

My visit to Hydro Alunorte took an entire day. I managed to attend the meeting with Alunorte Rain Forest football team before their departure to Norway Cup (the football team will be described further in chapter Three), plus take a tour around the plant and interview the director of Alunorte and the head of CSR at Hydro Barcarena.

On my way from one place to another, I was continuously watching the daily routine of the town, whether I was seated on the boat, having coffee or on the bus stop. Direct observation was an essential data gathering that would not have been possible if I had not stayed in Barcarena for a period of time. In fact, just being there was already an advantage for the study.

After I came back to Oslo, I conducted two more interviews by phone. One with a representative of local government, the secretary of Urban Planning and Institution Relations of Barcarena, and another with the prosecutor responsible for the Conduct Adjustment Agreement (CAA) which was the first step to the capacity building process in the municipality. The two interviews conducted by phone were double checked via e-mail. It took more time to set a time and day to have the conversation than usual due to bureaucracy and tight schedule of public sector in Brazil.

Overall, interviews were an essential source of evidence for this case study since well-informed respondents can provide important insights into a situation. Nevertheless, various sources are highly complementary.

2.5 Interview list

Final interview list, including 3 pre-fieldtrip, 15 from the fieldtrip and 2 post-fieldtrip interviews:

HYDRO

- 1) Hans Eide, Head of CSR at Hydro Brazil Rio de Janeiro
- 2) Elena Brito, Head of CSR and Relationship with Communities at Hydro Barcarena
- 3) Joel Câmara, President Director at Hydro Alunorte
- 4) Jerônimo Coutinho Jr., Former Consultant Engineer at Hydro (and Alcoa)
- 5) Anonymous engineer #1
- 6) Anonymous engineer #2

LOCAL PEOPLE AND LOCAL COMMUNITIES

- 7) Walmir Souza, Leader of Public Education Union of the State of Pará at Barcarena
- 8) Rosemiro dos Santos, President of Association of Friends of the Industrial District
- 9) Angela Maria Santiago, Leader of Center Community of Vila Nova Itupanema
- 10) Petrolino Alves, Leader of National Front of Urban Resistance in Barcarena
- 11) Cleide Monteiro, Leader of Association of Acuí Rural Workers
- 12) Mel Gibson Santana, Student and captain of the Alunorte Rain Forest football team
- 13) Gustavo Freitas, Student and member of Alunorte Rain Forest football team
- 14) Anonymous taxi driver

NGOs

- 15) Arne Dale, Programme Coordinator Brazil at NGO Norwegian Church Aid
- 16) Maura Moraes, Project Coordinator at NGO IEB
- 17) Rita de Cássia Santos, Assistant Project Coordinator at NGO IEB

LOCAL GOVERNMENT

- 18) Alberto Góes, Secretary of Urban Planning and Institution Relations of Barcarena

PUBLIC MINISTRY

- 19) Raimundo Moraes, Prosecutor of the state of Pará and responsible for CAA in Barcarena
- 20) Paulo Rabelo, Special Advisor of Public Ministry of Pará

2.6 Data analysis

After transcribing my recorded interviews and translating it to English, I coded them. The process of coding involves systematically labelling concepts, themes, events, and topic markers so that you can readily retrieve and examine all of the data units that refer to the same subject across all your interviews.

My data gathering findings (interviews, books, articles, brochures) were then labelled in five separate themes: A) Barcarena & aluminium; B) Norwegian versus Brazilian identity; C) Shifting from Vale to Hydro; D) Hydro CSR and E) Forum of Civil Society Network & Local Government. According to my research question, I paid relatively more attention to the answers of groups C, D and E, even though the other questions were valuable to contextualize the industry impact over the years in Barcarena.

2.7 Ethical Considerations

Since this case study proposes to discuss local communities' realities, the main ethical responsibility as a researcher was to respect local people's privacy, choices and conditions. During the data gathering process of the study thoroughness and accuracy were the two main drivers. Thoroughness means investigating all the relevant options with care and completeness, checking out facts and tracking down discrepancies. From the beginning I was cautious on choosing interviewees to obtain the most information possible of the story and

prepared follow-up questions when evidence was missing. Regarding accuracy, it represents being careful in transcribing and editing interviews according to the original version. It also means that the interviewer does not put words into someone's (interviewee) mouth.

In order to be transparent and professional about my objectives, I wrote an introductory letter to all my elite interviewees at first contact with them. The presentation included my background, my research proposal at University of Oslo, professional references, and how their participation would contribute to my study. Moreover, I had the obligation to warn interviewees if something they were saying might get them in trouble and give them an opportunity to retract what they had said or be quoted anonymously. On two occasions my informants asked to make a statement off the record; both were about their opinions concerning local government.

3. The case

In order to understand the perspective of local communities towards the aluminium production chain of Norwegian company Hydro, this chapter will address the main actors which contributed in different degrees to the current situation in Barcarena: federal and municipal government, other industries in town, the local prosecutor (who required the adjustment agreement in 2007, which will be addressed further in this chapter), Brazilian company Vale, Hydro and two NGOs, IEB and NCA.

The first part of the chapter will give an overview of Barcarena social economic background and a retrospective of the industry hub which started in the 1980's. The study will explain the social and environmental impact of the new economy to local communities and the role of the local government. Then, the chapter will address the aluminium production chain in Barcarena: the shift from Brazilian company Vale to Norwegian company Hydro and Corporate Social Responsibility of both businesses.

The second part of this chapter will describe a list of environmental accidents which happened in Barcarena due to industrial activities, with special focus on the damage from 2007. The episode resulted in the creation of the conduct adjustment agreement (CAA), the capacity building program undertaken in 2009 and the project called Intersectoral Forum. In addition, the study will describe the role of two NGOs, Brazilian IEB and Norwegian NCA.

3.1 Barcarena

Barcarena is located 87 km from Belém, the state capital of Pará, in Northern Brazil. Pará is the second largest state in Brazil and is bounded to the North by Guyana, Suriname and the Brazilian state of Amapá; to the Northeast by the Atlantic Ocean; to the East by the Brazilian states of Maranhão and Tocantins; to the South by Mato Grosso; and to the West by Amazonas (Figure 4).

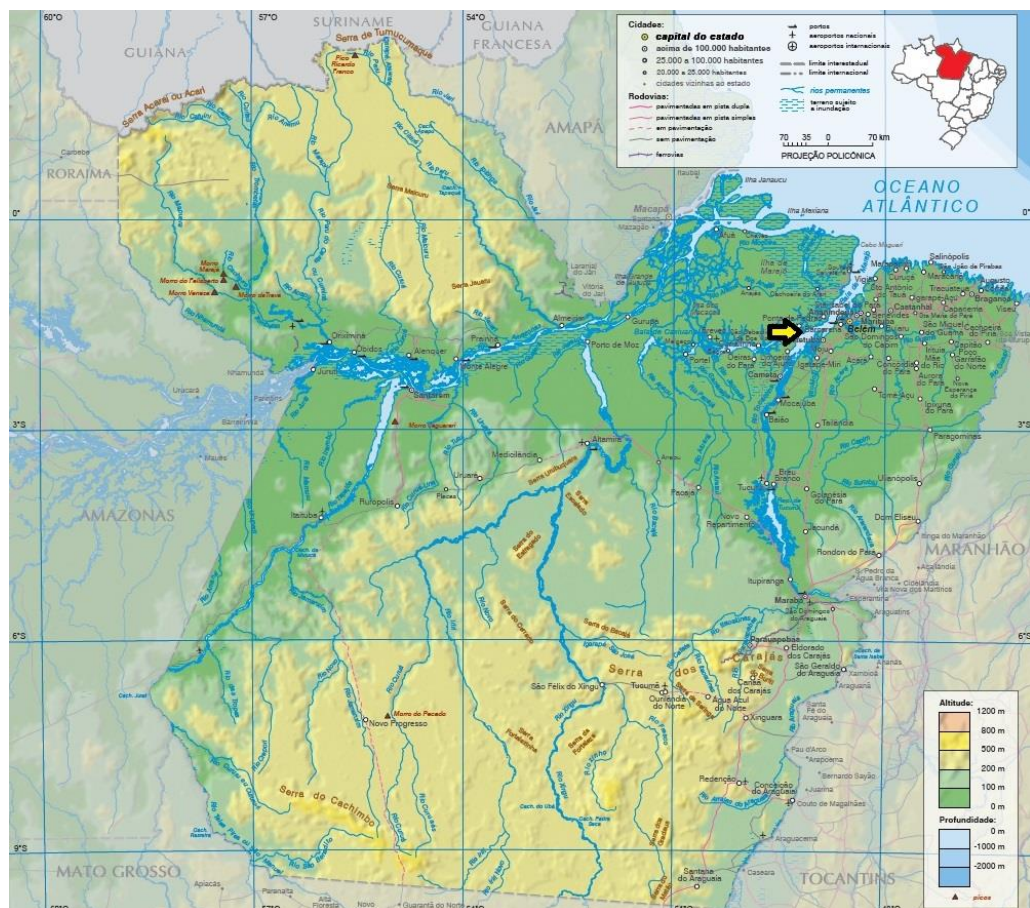


Figure 4: Map of state of Pará

Source: IBGE



Figure 5: Location of Barcarena

Source: IBGE

The area of Barcarena is 1,310 km² and it is situated near the mouth of the Amazon River. Its location is strategic for international commerce and regional trade, by linking different transport modes: roads, railroads and waterways. “For this reason, the Federal Government and large national and transnational corporations have expressed special interest in the municipality” (IEB 2012).



Figure 6: Map of Barcarena

Source: Albras

In 2013, 109,975 people were living in Barcarena, which was primarily inhabited by indigenous tribes called Aruãs and until now is famous for its natural attractions, such as Conde and Caripi beaches. It became nationally known during the social revolt called *Cabanagem* from 1835 to 1840. One of the reasons of the mutiny was the extreme poverty and political marginalisation of the region right after the independence of Brazil in 1822. The name *cabanagem* was a reference to the type of hut used by poor people living close to streams, mainly freed slaves and indigenous people. By the end of the revolt, it is estimated that 35 percent of the population of the states of Pará and Maranhão died in the conflict.

Until the 1970's, Barcarena was a supply center of agricultural and forestry products to Belém, based on family ownership of land and common use of the forest and rivers. Nowadays, agricultural and forestry activities are secondary. Industry alone represents 67 percent of the local GDP (IBGE 2011). In 2011, the ten largest companies located in the municipality sold about US\$ 2.7 billion (Table 1), equivalent to 15 percent of the volume obtained from exports generated by Pará state as a whole.

Company	Total revenue in 2011 (US\$)
Alumina Norte do Brasil S/A (Alunorte)	1,432,000,000
Alumínio Brasileiro S/A (Albras)	960,000,000
Imerys Rio Capim Caulim S/A	182,000,000
Usina Siderúrgica do Pará (Usipar)	73,000,000
Pará Pigmentos S/A	31,000,000
Mineração Buritirama S/A	15,000,000
Alubar Metais e Cabos S/A	5,900,000
Indústria e Comércio de Conservas Maiauatá Ltda	2,700,000
MRM Dias e Cia. Ltda	126,000
Pinheiro Comércio de Materiais e Construção Ltda	40,000
Total	2,701,766,000

Table 1: Revenue of ten largest companies in Barcarena in 2011

Source: IEB 2012:17

This structural change from rural to industrial economy is closely linked to two main factors: the Brazilian dictatorship and the oil crisis.

3.1.1 Brazilian dictatorship impact in national economy

The first factor to the structural change mentioned was the Brazilian Military Government from 1964 to 1985, which is associated with the history of territorial settlement and large infrastructure projects in the Amazon. Until the late 1950's, the Amazon was covering over half the territory of Brazil and was characterized by a low population density and low national integration. The region with its huge stock of natural resources and its vast "empty spaces" was considered by the Military Government a key point to quickly solve economic, social and geopolitical problems. In this context, development policies were formulated and implemented with the main objective of maximising

immediate economic benefits. The goal was to ensure the economic exploitation of the region's abundant natural resources, so the government took possession of enormous areas, ignoring the land rights of great part of the native population (IEB 2012).

In addition to that posture, the Second National Development Plan adopted in the Geisel Government (1974-1979) stressed the importance of expanding infrastructure investments - particularly in the areas of energy, transport and communications - for the export of specific products. The plan was to heavily invest in the expansion of basic industries, which would be located in selected areas of the Amazon.

Due to its resources (mineral, timber), the National Plan conceived the Amazon region as a "tropical border". In addition, tax incentives would be granted by the federal government with the purpose of stimulating the activities geared towards exports to the benefit of private companies. This program represented an important change in government policy, which began to prioritize the large agricultural production, private projects associated with investments in infrastructure, mining and processing of minerals.

After the Brazilian Government moved the capital from Rio de Janeiro to Brasília in the 1960's, it started investing in road networks to connect the Amazon region to the Southeast of Brazil, the dominant economic region of the country. The construction of the Belém-Brasília highway in the 1970's was essential for the implementation of large-scale projects including the Tucuruí hydropower complex.

The initial drive behind the construction of a hydropower dam in Pará was to provide electricity for the city of Belém and the surrounding region. However, the primary focus of the project was changed to providing power for the energy intensive electro-metallurgical industry in the region.

The Tucuruí complex included the implementation of fifteen hydropower projects. Tucuruí currently has an installed capacity of 8,370 megawatts (MW). Located at the lower Tocantins River, adjacent to the Amazon Basin in Northeastern Brazil, this is the largest dam ever built in a tropical rainforest, and with an area of 2,875 km², it is also the largest man-made lake ever built in such a place.

During the construction period, Brazilian legislation did not require an Environmental Impact Assessment. This was not a legal obligation until the National Environmental Policy in the Federal Constitution Act of 1988 (Junior et al. 2006). The project from state company Eletronorte was modified during construction, resulting in an increased flooded area in order to achieve the initially predicted power amount. The area in the reservoir increased to 2,875 km² (18 percent larger than previous project), the volume of water to 50.3 trillion liters, and the perimeter increased more than 40 percent.

The construction of the dam and reservoir formation was responsible for major changes in the ecosystem. It is estimated that 13.4 million cubic meters of timber with commercial value, and various species of animals and plants, were lost due to flooding. The construction and operation of the reservoir of the dam changed the course of the river system, damaged archaeological sites, caused emission of gases, impacted the quality of the water and caused an overpopulation of insects. In addition, the hydropower complex was responsible for the displacement of local population from flooded lands that were living close to the dam perimeter (IDESP 1991).

The view that the Amazon Rainforest is a body for exploration is often the subject of discussions in academia and media. Brazilian journalist Eliane Brum wrote an article about the heritage of the military dictatorship rooted in the imagination of Brazilians regarding the Amazon. She concluded that if the logic of the explorer/colonizer historically guided the ‘internalization’ of the country, the dictatorship gave it a more ambitious ideological package:

The dictatorship cemented the idea of Amazon as ‘green desert’, ignoring all human wealth, cultural and biological diversity that existed there. The dissemination of this fantasy is so successful that it became the ‘truth’. And it remains perceived as the truth after the democratization process (Brum 31/03/2014).

3.1.2 World oil crisis

The second episode to collaborate to industry investments in Pará was the global oil crisis that began in the 1973. The crisis reflected negatively on the industrial production of Japan, a major consumer of aluminium. Japan began to transfer its primary metal manufacturing units to peripheral countries with favorable local conditions such as power, cheap labour and little restrictive environmental legislation, thus requiring less investment and promising quick profits.

In 1976, Brazil signed a cooperation agreement with Japan to install an aluminium production complex in Pará. The following year, the government announced the expropriation of 40,000 hectares of land previously inhabited by small farmers, hunters and gatherers of non-timber forest products (Leal 1982 in IEB 2012). The plan included the development of the industrial district, the urban core of Vila dos Cabanos, the industrial complex (Albras/Alunorte), Vila dos Cabanos Port and power station. In 1978, Albras was established by bringing together 51 percent of capital through Brazilian Company Vale do Rio Doce (CVRD) and 49 percent of Japanese capital through Nippon Amazon Aluminium Co. Ltd. (NAAC). In 1985, Alunorte was installed in Barcarena, and in 1996 the companies operating in the kaolin sector (Pará Pigments and Imerys Rio Capim Kaolin) were installed, too.

The population growth data can be used to illustrate the impact of industry in Barcarena. In the 1970's the population of Barcarena was 17,498 inhabitants (IBGE 1970). In 40 years, the population had grown 470 percent to 99,859

(IBGE 2010) – and up to 109,975 inhabitants in 2013, according to local government statistics.

The GDP (Gross Domestic Product) per capita of Barcarena is the third highest in Pará (R\$ 35,639 or US\$ 13,7334) and it is even higher than urban centers such as Rio de Janeiro (R\$ 32,940 or US\$ 12,694). However, the earnings of companies based in the municipality have not been directly translated into social development.

The most recent national poverty index in Brazil (IBGE 2003) shows that 30.78 percent of the population in Barcarena is considered poor. In Rio de Janeiro, for example, 23 percent of the population is considered poor. According to the research institution responsible, poverty is measured based on criteria defined by specialists who analyse the consumption capacity of people. They considered poor the individual who cannot have access to the recommended minimum (food and goods) for a family's survival and sustenance (IBGE 2003).

According to a recent survey by Brazilian research center Evandro Chagas Institute, Barcarena is poorly served by basic sanitation. It shows that 92.8 percent of water samples collected in households and 90 percent of groundwater (wells) are unfit for human consumption (Lima et al. 2011). The problem in health and sanitation is reproduced in other areas: the absence of a housing policy for low income families, violence, drug use, lack of transparency in the use of public money and inadequate investment in education are just a few (IEB 2012).

Barcarena contributes significantly to Pará GDP. In 2011, companies located in the municipality revenue US\$ 2.701 billion (Table 1). The main destinations of 2011 exports were Japan, Canada, Norway, Switzerland and the United States (IEB 2012). Imports by companies based in Barcarena were approximately US\$ 545 million.

The difference between the income earned by corporations located in Barcarena and tax revenues destined for the municipality reveals inequalities both in the private sector and public authorities' management. The table below (Table 2) shows the growth of municipal revenues in the period between 2001 and 2008. Regarding revenue transfers that are constitutionally mandatory from the federal and state governments, the amount received by Barcarena grew considerably from 1997 to 2009 (Table 3).

2001	2002	2003	2004	2005	2006	2007	2008
13.17	15.28	8.36	-	36.02	-	52.92	71.49

Table 2: Barcarena municipal transferred revenue source (in millions US\$)

Source: TCU

Year	Total (in millions US\$)
1997	10.51
1998	11.95
1999	9.13
2000	10.59
2001	10.55
2002	12.26
2003	13.80
2004	16.03
2005	25.75
2006	32.15
2007	39.74
2008	54.57
2009	51.81

Table 3: Constitutional Transfers of Various Tax Revenues to the Municipality of Barcarena from 1997-2009

Source: Pará State Secretary of Finance/Secretary of Education/Secretary of National Treasure

3.2 Local government

According to the interviews, local politicians do not have a good reputation, especially regarding social and environmental issues in Barcarena. Local communities and NGOs (IEB and NCA) compared the relationship with the municipal government as a 'ping pong game':

We used to talk to the company and explain that if they were polluting the city they should do something about it. They replied saying that they pay taxes and we should go after the local government. Then the local government said: ‘no, it is the company who is polluting so you should talk to them’. It was the same thing over and over again (Monteiro: interview 17.07.2014).

“There is no one that we can rely on”, argued community leader Angela Santiago. According to her, Barcarena is abandoned, with garbage on streets and no maintenance. Another characteristic mentioned is omission. However, Rosemiro dos Santos stresses some setbacks in the political system which makes it difficult for municipality actions to take place:

The state government follows the interest of the federal government, but who really needs to solve the problem at the end of the day is the municipality, which has no technical and efficient support for these demands. The company says it pays the taxes accordingly while the mayor says that companies are not paying. So it is always this game of pushing one responsibility to another (dos Santos: interview 15.07.2014).

As stated by IEB project assistant, Rita de Cassia Santos, the Brazilian government has been historically making top-down investments. The same thing happened with major projects during the military dictatorship in order to develop Amazon Region. At the moment, other large enterprises are coming to the region regardless if the population used to rely on natural resources to survive. Santos describes that part of the population is already facing the consequences of the projects and the government is not anticipating the negative impact that these new developments will cause on that territory.

The Head of Hydro CSR asserts that the economy is not the problem. Hans Eide Aarre believes that is a question of political culture which local politics are ruled by elite politicians which only care about their own interests.

The secretary of Urban Planning, Alberto Góes, defends local government describing multiple social councils as the main instruments of the municipality relationship with communities. The society chooses the representatives who will join the meetings. Today, Barcarena counts with the City Council (Concidebar), Board of Health, Social Welfare Council, Council of People with Disabilities, Council for the Defense of Children and Adolescents, Board of Education, Board of Fundeb, Council of School Meals Council Community Safety, Sustainable Rural Development Council, Women's Council and Environment Council. The municipality also represent local municipal power in Intersectoral Forum. However, IEB coordinator thinks they do not have the same commitment that Hydro has showed.

3.3 Aluminium production chain

The aluminum complex of Albras/Alunorte was the main industrial investment in Barcarena. In the 1970's, Brazilian government offered many attractive conditions to catch business attention, especially foreign companies. One of the infrastructures was the creation of Eletronorte (Centrais Elétricas do Norte do Brasil) in September 1973 in order to build a large hydroelectric plant (Tucuruí dam) and, consequently, to expand the energetic potential of the region. Federal government also invested in roads and in a port intended for bulk and cargo carrier for deep draft.

The area designed for the construction of the aluminium industrial complex in the municipality currently occupies 40,000 hectares, distributed in four main sectors: a) industrial area: includes the port in Vila do Conde; Alunorte plant, Albras plant, Eletronorte area (next to the substation, connected to hydropower plant Tucuruí), and expansion of the area intended for the installation of the industrial district; b) the area of urban growth: reserved to meet the demand of industrial plots; c) area of transition: aimed for protection of the Ecological Reserve and support of diversified activities; and d) the area of implantation of

the new urban core of Barcarena: where residences of workers of Albras/Alunorte were built.



Figure 7: Alunorte plant in Barcarena

Source: Alunorte

The choice for this area took into consideration many positive aspects of Barcarena, which included the relative proximity of the sources of its main inputs, bauxite and electricity; the possibility of constructing and using a harbour that allows the attraction of large capacity ships (above 40,000 tons); the characteristics of soil with flat topography and very favorable for the support of underground foundations of manufactures; the existence of water in quality and volume for industrial use; the availability of cheap labour; and finally, for being an area with low density of occupation and at the same time, close to a large urban center, Belém.

The aluminium production chain in Barcarena is composed by a bauxite processing plant and an aluminium production plant which are closely connected to the extract of bauxite from Paragominas and Trombetas quarries, both in the state of Pará. The product is transported to Barcarena, where it

refines the raw material to alumina (aluminium oxide) and later produces aluminium metal (460,000 tons annually).

In Barcarena, the production chain starts in the Alunorte plant. Alunorte is the world's largest alumina refinery and has nearly 1,600 permanent employees and about 800 long-term contractors. Production at Alunorte started in 1995 and after three expansions it has now a total annual capacity of 6 million metric tons. A substantial portion of the alumina is shipped to aluminium smelters in other parts of the world and to other aluminium metal plants. Plus, some of the alumina goes straight to the neighboring business Albras. Albras is the second-largest aluminium metal plant in Brazil with 1,200 permanent employees and over 400 workers on long-term contracts. Albras has produced aluminium since 1985 and has annual production capacity of about 460,000 tons. The company gets its electricity from the Tucuruí hydro-power plant. (Hydro Institutional Report 2013)

In order to better understand the impact of this industry in environmental terms it may be useful to summarise the processes that are involved:

3.3.1 Alumina

Alumina is the main input for aluminium production. It is obtained from the processing of bauxite which is extracted from towns of Trombetas and Paragominas, both in the state of Pará. In Trombetas (located west of the state), oxide is supplied by Mineração Rio do Norte (MRN) and it is transported by ship to Vila do Conde Port in Barcarena. The other supplier is the Mineração Bauxita de Paragominas (in the Northeast of the state) where the ore is transported through a pipeline that crosses seven municipalities and is 150 miles long.

Upon the arrival in Alunorte the water contained in the material is removed in a process known as dewatering. MRN oxide ore arrives in the harbor; it is stored in the stocking area then placed in the belts and sent to the mills where

it is crushed until it reaches optimum size for processing. The next step is digesting phase where alumina is extracted from oxide through a reaction with caustic soda. The process takes place in pressurized containers at 145 degrees Celsius.

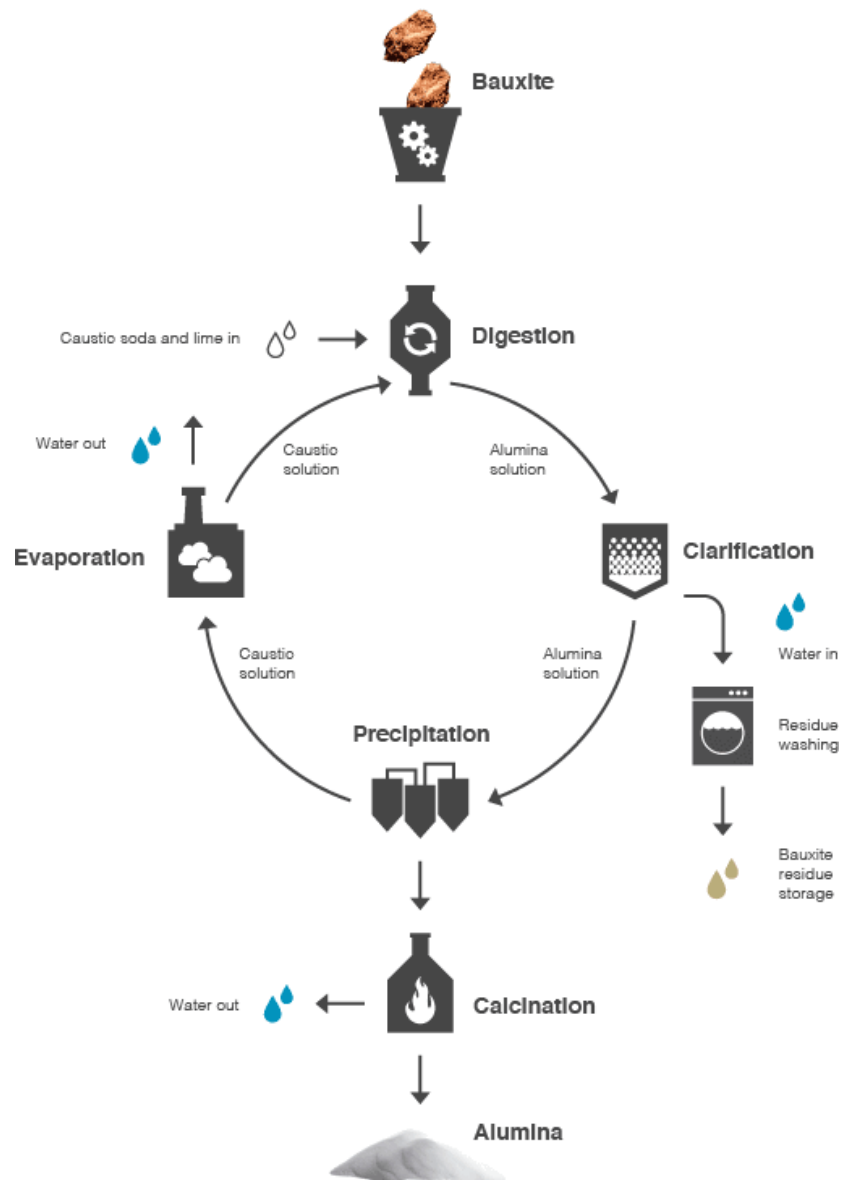


Figure 8: Production of alumina

Source: Hydro

When alumina is extracted from bauxite, the process creates about an equal amount of bauxite residue, also known as red mud. This needs to be managed

properly to protect the environment, and is a challenging part of alumina production. There are two models of storage: lagoons and dry stacking. Hydro uses dry stacking to store bauxite residue. In parallel to that, there are other environmental issues related to alumina production: high amount of energy consumption, water management and impacts from the plant's infrastructure and the bauxite residue disposal.

3.3.2 Primary aluminium

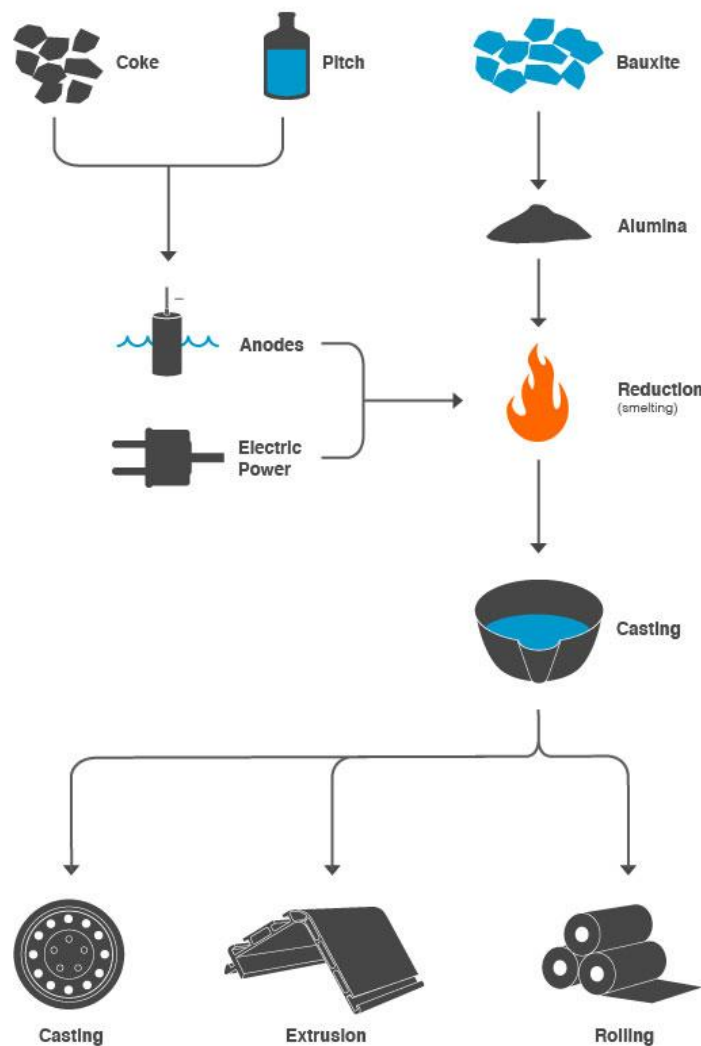


Figure 9: Production of primary aluminium

Source: Hydro

3.4 Simple life versus big profit aluminium complex

Although Barcarena is one of the biggest GDP of the state, there are clearly many social problems. According to IEB reports, the industry generates money but the wealth is poorly distributed. On the way to the main entrance of the town, the first thing one might notice is the amount of parked trucks waiting to enter the port. The visible consequences are right there: precarious roads without sideways, the growth of informal labour and prostitution.

The profitable aluminium industry boosted the local economy and nowadays, Barcarena crosses a second development cycle. The town became an important logistical point (port, waterway, railroad), with the flow of raw materials and merchandise from Pará and other states of the North and Midwest of Brazil. According to IEB project leader Maura Moraes, it is not possible to have this set of new investments and demands to Barcarena while local people and traditional communities continue being penalized by the impacts and the consequences of this model (Moraes: interview 14.07.2014).

All informants of this study listed examples of contrasting realities from the business profit such as NGO NCA project leader. “If you go there, the streets are bad, healthcare is bad, and there is corruption within the municipality” (Dale: interview 23.04.2014). NGO IEB project assistant Rita de Cássia Santos explained that urban development does not follow the economic development. “It is an antagonism that keeps growing over the years” (Santos: interview 24.07.2014).

Local communities claim that local government was not prepared to deal with the new industrial scenario and the demands of social segments brought by industrial activities. Scholars such as Nahum (2011) alert to shortcuts either through “favor culture” and/or “political patronage” as being a frequent response of municipal governments to immediate demands of the population. Favor culture regards ethics of gratitude, for example, when the person who lives on the margins of social rights receives a favor from the powerful side

and then the first one becomes morally obligated to return the favor. Political patronage is about the relationship between political actors, involving the granting of public benefits such as jobs and tax benefits, in exchange for political support (e.g. negotiation of votes).

Plus, problems regarding employment, social justice and public policies are told to be frequently directed to unsustainable actions such as handing out food and charity campaigns.

In general, local people preferred their living conditions before the industry came to Barcarena. If you start a conversation with a local citizen about life before the arrival of the aluminium complex, it is most certain that the talk will assume a nostalgic tone. “Before they (industry) arrived we used to have a lovely forest. There is this saying now: ‘we were happy and have not realized it’” (Monteiro 17.07.2014). According to community leader of Acuí, Cleide Monteiro, the industry came preaching sustainability but the result was different:

They said ‘look, let's get you out of here and we will relocate you to another community and you are going to plant and grow vegetables to sell up inside the company’. But then what happened is that the new houses have not been paid and the group who said no to them, was forced to leave. They broke into the houses, dug and cut the houses with machines (Monteiro: interview 17.07.2014)

The leader of Public Education Union, Walmir de Souza, illustrated the past change in town describing the traditional Pineapple Festival. About 30 years ago, the festival used to be held in the city center, where everybody could participate and enjoy music and dance for free. “After the industry settled down, the festival started to be organized in a closed square and people were coming from outside Barcarena. Plus, there is no longer a major production of pineapple” (Souza: interview 15.07.2014). He alerts that today it is dangerous to walk on the streets at night and mentions that after someone had broken into

his office he decided to install security cameras, something he would have never imagined doing in a small town like Barcarena:

The idea was to bring progress and quality of life. This is not quality of life and this is not good for us. In the past, we could walk calmly on the streets. Last week, somebody murdered a drug dealer downtown. Three shots in the head. At Vila do Conde, three drug dealers were killed last week, too (Souza: interview 15.07.2014).

The president of the Association of Friends of the Industrial District, Rosemiro dos Santos, asserts that 30 years ago the entrance to the local houses had no doors, just a hanging bed sheet for privacy. Now, this is not possible anymore. For him, industry has not been positive to town: “People die here every day, especially people that are related to drug traffic. We'd rather live in that simple life in the past, with quietness” (dos Santos: interview 15.07.2014).

Furthermore, poverty can turn out as a key player for guaranteeing the continuity of power elite in Barcarena. Local communities have been historically distant from political decisions for many reasons. One of the obstacles has been the fact that local communities do not know what rights they have as civil society and, consequently, they do not know how to access the legal channels to demand it.

When the industry moved to town, leaderships started to see the business as the face of the “saviour”. Because of the fact that they had money, experience and corporate buzzwords such as “Social Responsibility”, local communities saw on them the chance to demand changes.

Among other local leaders, Cleide Monteiro does not agree with the idea that development has arrived within the aluminium complex:

The industry has been preaching about sustainability and development of Barcarena. After 30 years, you realize that advertising is one thing and action is another. There is more economic growth, but what about the

development, sustainability and our priority to get good jobs? (Monteiro: interview 17.07.2014).

According to Rosemiro dos Santos, when industry was installed in town, no one was aware of what Albras and Alunorte would have become today. “They (industry) came here and announced that they would have a very good project for the community but the problem is that the community had never gone through such an experience, it had no previous example” (dos Santos: interview 15.07.2014). The community used to live off of extraction, of hunting and fishing and many of them had to adapt their activities due to changes in the environment. The *pupunheira* activity was the first to suffer the impact. *Pupunheira* is a palm tree that produces a fruit called *pupunha* (*Bactris gasipaes*) which has a nutritional constitution similar to maize. Rosemiro explained that there are no more *pupunheira* trees in Barcarena, and the ones that beared up, do not produce fruits anymore. “They called it progress. What progress? Perhaps progress to the industry, progress to local government, but not to Barcarena” (dos Santos: interview 15.07.2014).

3.5 CSR Vale in Barcarena

Brazilian Vale was the main shareholder of the production chain in Barcarena until 2011. The corporation was founded on June 1942 by the Brazilian Federal Government and currently is the largest iron-ore producer and the third largest mining company in the world. Vale had its control transferred to the private sector on May 1997, when the Consórcio Brasil, led by the National Steel Company (CSN) acquired 41.73 percent of the Federal Government’s common stock. The decision to privatize Vale caused much discussion among politicians and the public opinion due to alleged corruption and the economic value to the country. In 2013 revenues of Vale S.A. represented 48.1 billion dollars while annual earnings were US\$ 2.38 per share (Bloomberg and Newsweek websites).

Although Vale is the second biggest corporation in Brazil and the sponsor of many social (e.g. Fundação Vale), cultural (e.g. Inhotim Museum) and environmental (e.g. Reserva Natural Vale) programs nationally, the company has a controversial background. In fact, Vale was elected the world's worst company in January 2012 by the Public Eye People's, an award that refers to human rights and environment, given by the NGOs Greenpeace and Berne Declaration since 2000. Vale became the first Brazilian company to join the so called "Hall of Shame", which according to the judges contain corporations whose business activities have been characterized by human rights violations, environmental destruction, immoral tax practices or corruption (Public Eye website). At the same year, the second place went to Japanese Tepco, which operates the nuclear power plants of Fukushima that were hit by a tsunami in March 2011.

Vale's reputation among the civil society in Barcarena is also negative. All the informants in this study mentioned one or more conflictual experiences regarding relationship between company and community. They called Vale as 'extremely bureaucratic' and 'slippery' when regarding meetings with local people. Some of them reported bribe episodes but most complaints were about how Vale was keeping a distance from the community. "Every time we would ask for a meeting to express our demands, they didn't solve the problem. They did listen, but didn't solve anything because they didn't care" (Souza: interview 15.07.2014). Leader of community center Vila Nova Itupanema, Angela Santiago explained that she used to be forbidden to visit Alunorte factory during the last years of Vale administration. "There was a sign in the reception saying I couldn't pass Alunorte front gate. When Hydro came, they called the leaders for a presentation, including myself. Today we have a good relationship" (Santiago: interview 16.07.2014). She also mentioned that Hydro has accepted many demands from the local communities, although communities consider it just a preliminary negotiation process.

“Many people saw the Alunorte refinery during Vale administration as some sort of a *bogeyman*”, explained leader of National Front of Urban Resistance, Petrolino Alves. According to him, the leaderships had an idea that Europeans were very concerned with environmental issues but the community was still very worried about the change. “At that time we started studying the history of Hydro to get to know exactly what was coming to Barcarena. We were very concerned but also thinking it could be a solution. A way out from that situation” (Alves: interview 17.07.2014).

Considering the experience in the work environment, both consultant engineers interviewed agreed with the negative reputation of Vale. They said the company used to treat employees and suppliers very badly. One of the examples was the waiting and bureaucracy in the meetings even when the visitors needed to travel a long distance to get to Barcarena (usually one plane flight plus an hour by rented car). Despite the shift from Vale to Hydro, they do not think it will make a major difference. They blame the ‘corporate culture’ and its belief that industry owns the land.

Norwegian NGO NCA believes that any business can do a better social job than Vale. According to project leader Arne Dale, Vale used to focus on charitable handouts projects in town and charity will not have a long-term effect in Barcarena. However, he knows Hydro wants to do something different from Vale and the company will distance themselves from Vale’s reputation since Vale is considered a situation where they’ve reached “rock bottom”.

Nevertheless, leader Rosemiro dos Santos stressed the importance to take the whole context into the consideration. When Hydro purchased the shares local communities were already in an advanced stage (over two years) of the capacity building project of IEB. “We were more aware of rights and duties”. He explained that Hydro is more open than Vale and highlighted the transparency during the first meetings with local leaderships when the

company presented Hydro mission and values. According to Walmir dos Santos, the corporation mentioned that if any employee of Hydro is proven to have any link with corruption or bribe, the person will be fired. “Of course it can be just a nice speech, but it's interesting, isn't? I have never heard a company saying this before” (dos Santos: interview 15.07.2014).

Leader of community center of Acuí, Cleide Monteiro believes that Hydro will do a good job in Barcarena. As stated by her, in order to succeed, Hydro should build something together with the assistance of the local people from Barcarena. “The company needs to know more about what is going on in the head of the community and we need to interact more and also know what is going on in their mind and know the projects that they have for Barcarena” (Monteiro: interview 17.07.2014). Monteiro mentioned that she has never ignored the possibility of a new direction, however, her positive impressions of change were shaken after Hydro supposedly fired many former Vale employees and replaced them by people from outside the town (e.g. Belém, São Paulo and Belo Horizonte).

Brazilian NGO IEB considered that Vale and Hydro have distinct relationships with Barcarena. The first sign of change was when Hydro announced that they wanted to talk to the local communities. “The moment that a company agrees to be part of a dialogue with 54 civil society organizations, you can see a change of behaviour” (Santos: interview 14.07.2014).

According to Head of CSR Hydro in Barcarena, Elena Brito, Vale does not have a good reputation in Pará for many reasons and one of them is because it is the biggest mining company in Brazil, therefore they get a lot of criticism. “This shift was good to the image towards the communities. If someone knocked the door of Alunorte before, the person would get the information but there was not that initiative to bring the community closer” (Brito: interview: 16.07.2014).

Through the acquisition of Vale's aluminium operations in Brazil in 2011, Norsk Hydro became the majority shareholder with 91 percent of alumina refinery Alunorte, 51 percent of aluminium plant Albras and 81 percent of CAP alumina factory project. Currently, Brazil is the country where the company has the most employees - more than 6,000 if long-term contractors are included. Before the transaction, Hydro already held 34 percent of Alunorte and 20 percent of CAP project (Companhia de Alumina do Pará). CAP is the new alumina refinery. The operation of raw material for aluminium production is scheduled to start production in 2015 based on bauxite supply from an expansion of Hydro's mining operations in Paragominas, Brazil.

3.6 CSR Hydro in Barcarena

Based on the data gathered at Hydro Rio de Janeiro headquarters in the end of 2013, Alunorte has been currently holding five main social programs. The company has been responsible for sponsoring computer courses to local community, for supporting local fishermen business, for the project of greenhouses construction by local farmers (using heat exchanger tubes discarded by the refinery) and for a small factory business of women from local community which is the supplier of flanges protectors, diphoterine cases and ecobags for the refinery.

Nevertheless, the football team sponsored by the company is by far the most popular social project in town. “Bola pra Frente” (an expression that means “kick the ball forward”, in Portuguese) is a football project and also educational program focused on students aged 13-19 years from 40 schools in Barcarena. There are seminars about ecology, health and campaigns against drugs and violence during the academic year. In order to be part of the Alunorte Rain Forest (ARF) team though, teenager boys⁴ must maintain high

⁴ In previous editions, girls were also able to join a woman's team.

grade records in studies, keep exemplary behavior in class as well as participate in environmental projects in school. There are three qualifiers and the chosen players start practicing with the coach for friendly matches in Pará and participate in the Norway Cup which is held in Oslo (Norway) every August.

Norway Cup is the world's largest football tournament for kids and teenagers and has been held annually in Ekeberg, Oslo. Since the start in 1972, players, teams and referees from 126 nations have participated (Norway Cup website). In 2014 edition, Norway Cup had 1,560 registered teams. The 17 year-old Mel Gibson Santana explained that it is the dream of every kid in Barcarena to join ARF so it is very competitive. Santana is the current captain and it took four attempts for the student to get a place in the team. According to Hydro, the main goal is to transform boys into citizens through sport. Moreover it is an opportunity for the students to visit a new country and experience a new culture. During the meeting with family and players at Alunorte auditorium, 16 years-old Gustavo Freitas was exciting to travel by plane for the first time and mentioned he believes that his life will be different after the project.



Figure 10: Capitan Mel Gibson (top right) and ARF team in Alunorte

Source: by the author

Besides traveling and playing football, ARF team also represents a different kind of opportunity for the young students. It means a chance to start a football career or a future internship inside the company called “Jovem Aprendiz” (Young Apprentice, in Portuguese). Thus, parents highly encourage their children to participate.

This study identifies an extra role of the educational program “Bola pra Frente” to local communities: it was through the project that Barcarena got its first contact with Norwegian identity. Since the start in 2001, more than 12,000 teenagers have joined the educational program which means that at least 3,000 families in Barcarena have some level of knowledge about Norway. In fact, all of the local people interviewed in this study were confident to say that Hydro was a Norwegian company and that Norway is a European country. Plus, they were able to mention some local curiosities such as ‘matpakke’ (sandwich packed lunch). Considering the basic level of academic education of many of the informants (with few exceptions), that knowledge came as a surprise during the interviews. Before fieldwork I assumed that Hydro would have an image of a random foreign company to local people with no references or connections to Barcarena. Moreover, the fact that society already had a positive experience from the football team, which was always sponsored by Hydro (even when the company had only 30 percent of the shares of Alunorte), had an impact on positive expectations when the Norwegian organization became the main shareholder. Basically all informants said they believe that Norwegian companies are more responsible with social and environmental issues when compared to a Brazilian business. The first impressions towards Corporate Social Responsibility of Hydro does not always correspond to current expectations by local people as it will be discussed further in this chapter, but still, it is important to state that a foreign company was not seen as a threat by local communities.

According to Hydro Brazil, CSR is a core part for the company and their reputation is very strong. “Brazil is a challenge and a focus area because risks

are very high due to the matter of corruption, in Pará especially, where there is a low level of awareness”, explained the head of CSR Hans Eide Aarre.

Regarding the role of business in Barcarena, Aarre made it clear that Hydro wants to move away from the infrastructure projects of former owner Vale.

“We want capacity building, education and income generation”, said Hydro executive. Problems with drugs and prostitution are seen as consequences issues. As noted by him, CSR portfolio of Vale is a guideline but Hydro is designing how to qualitatively measure it. “Right now, the projects are not good for defining the goals so it is important to have a tool to understand the goals of each program”, he declared.

Currently, Albras and Alunorte social programs are quite independent from each other, even though Hydro owns them both. One of things that is common to Albras and Alunorte is precisely the department of Social Responsibility. In April 2014, Hydro created one management area called Communication and Local Community Relationship. “The company is in a middle of a critical analysis of project designs in order to make improvements or even shut down some programs”, explained Head of Hydro CSR in Barcarena, Elena Brito.

In parallel with Hydro engagement in Intersectoral Forum (further discussed in this chapter), the company organizes a plan of factory visiting. Hydro has opened the door to 10 leaders of civil society of Barcarena for a couple of weeks and had employees available to answer technical questions on themes such as environmental damages. “Until recently, they (civil society) did not know the difference between charity and social responsibility. It was very difficult for our work. One of the most discussed concepts that we worked with them is what social responsibility is and which taxes we pay”, explained Brito:

We are in the spotlight. We indeed have a great economic importance to this municipality and state. To my understanding, Hydro’s vision is to be transparent, to be relevant to this local community, and be accepted by

them. We are now the largest in the world, and obviously the largest of Barcarena. And the two companies of Hydro, Albras and Alunorte are the two oldest, most traditional and the most well known in Barcarena, so it ends up that the full impact of society is falling on us. It is essential that people know what we do and how we do and know the ways to reach us (Brito: interview 16.07.2014).

In addition to redesigning the former projects, Hydro recently created a new website, a newsletter and communication channels, such as an open phone number for questions, complaints, compliments and suggestions, in order to improve transparency. Plus, the company launched a newspaper about Albras, Alunorte and CAP focus on community (every two months) called "Canal Aberto" (Open Channel, in Portuguese). Another initiative is the direct contact with community operations, with a new system that accounts for the flow of information. The purpose is to show what and how the company operates in Barcarena. According to Hydro, the goal is to demystify a number of beliefs that have emerged over the years regarding the plants. For example, people used to believe that the dry stocking of red mud was considerably larger than it is in reality. The distance that Vale created between the communities over the last years was one of the responsible elements for the spread of these misinformed ideas.

To NGO IEB, the expectations in the corporate level are positive even though they believe Hydro still has some difficulties concerning the dialogue in the “factory floor level”, when handling daily basis conflicts with local communities. On the other hand, Hydro assumes the responsibility to clarify wrong information with transparency. As reported by Head of Hydro CSR, the only way to make it right is the inclusion of the community, especially in environmental issues.

As stated by Alunorte director Joel Câmara during a presentation to ARF team, the Alunorte project called DRS2 is Hydro’s biggest project worldwide

and it involves R\$ 830 million (US\$ 322 million) which is an evidence that Hydro is willing to stay in Barcarena at least for the next 35 years. According to Câmara's speech, the director would like to see communities becoming closer to the company. "My wish is to be part of the social and educational progress of Barcarena. (And) Not only the economic progress" (Câmara: interview 16.07.2014).

Leader of the Public Education Union believes that companies should give opportunities and provide conditions to the families' development. "It is not about giving them a box of food. The food will finish sooner or later. It is better to guarantee that communities can develop with their own hands" (Souza: interview 15.07.2014).

It was clear to all leaderships interviewed that what Barcarena demands are long term sustainable proposals to the community:

We completely understand the importance of the market, but when we see the amount of buses that comes from the capital it is frustrating. Most of the team who manages the company is from outside the town. They are from São Paulo, Minas Gerais...What is left for us is construction jobs. So they are not investing in qualifying manpower to manage the company. Moreover, when it does a social project it is not a project that will really leave a legacy to Barcarena (Monteiro: interview 17.07.2014).

IEB called Hydro CSR strategy very fragmented and still in the process of adjusting social projects. The Brazilian NGO believes that Hydro is in that point of transition when the company will keep what they feel it makes sense according to their strategy. Their participation in the Forum, for example, it is a sign of a new Social Responsibility in Barcarena. Nevertheless the Brazilian NGO asserts is not about taking place of the government. Local government is the responsible to ensure effective public policies for this population that will be affected by large enterprises. To IEB, Corporate Social Responsibility role is to take responsibilities for the consequences of their activity on the territory

and the company should think how they can provide improvements and life quality in Barcarena.

Meanwhile, NGOs are watching closely the new directions that Hydro CSR is intending to take. Norwegian Church Aid (NCA, which will be addressed in 3.7), for example, is worried about charity projects that will not have a future impact and thus will not change much. “If the company is interested in developing the city, the area, the region, it’s not about giving money to small projects, but to think how to change the future” (Dale: interview 23.04.2014).

However, while the majority of leaders say charity is not sustainable, some still sound confused by the role of social responsibility when giving real life examples of frustrating experience with the industry. To the President of Association of Friends of the Industrial District, Rosemiro dos Santos, like all other businesses, Hydro has a commitment, regardless of the tax it pays, because it has a budget to invest in social projects. In his opinion, Social Responsibility of the company should invest in agriculture in general. As stated by him, one of the biggest agricultural areas in Barcarena was precisely in Vila do Conde, so people have stopped producing to become consumers.

The leader of National Front of Urban Resistance in Barcarena, Petrolino Alves, says that Alunorte responsibility to the community is huge since it is the largest alumina refinery in the world, although the projects of Vale were short-term oriented. He mentioned that once the company gave machines to a cassava flour production but it failed because Alunorte did not teach them how to run the business.

Community leader Angela Santiago gets angry when describing an episode in 2011 when workers went on strike and shut the doors of Alunorte factory. The company asked her to use an inside passage in Vila Nova Itupanema community that goes straight to the factory. Angela explained that, at that time the company did not respect them so she asked something in return. She demanded a new electricity system to the community center as well as general

improvements. As stated by Angela, the deal was to have a computer room, but Hydro did not get the 10 computers they had promised. “So even though Hydro says there is a corporate social responsibility inside the company, here we need to beg and wait and see if they will do it or not” (Santiago: interview 16.07.2014).

During informal conversations with local people on fieldwork, I heard them saying it was common to call the company for help when someone in the family was very sick and need transportation for a hospital in the city, for example.

3.7 Norwegian Church Aid in Barcarena

Norwegian Church Aid (NCA) is an ecumenical diaconal organization for global justice founded in 1947. NCA provides emergency assistance in disasters and works for long-term development in local communities.

Currently, the NGO main funding sources are Norwegian Agency for Development Cooperation (NORAD), Norwegian Ministry of Foreign Affairs (MFA), Operation Day’s Work campaign (ODW) and own NCA funds.

NCA Program for Brazil took form in 1992 with funds raised by the ODW⁵ from Norwegian students. Over the last 50 years, ODW has supported education projects in over 60 countries in Asia, Africa and Latin America. Every year the students choose a new project at the annual meeting of the School Student Union (ODW website).

NCA sees that the organization might play an important role with strengthened relations between Norway and Brazil, both on state and business level. As stated on NCA reports (NCA 2010) Norwegian investments in Brazil are increasing rapidly, but still without a sufficient emphasis on the social

⁵ Today, ODW is the largest youth campaign in Norway with over 4,000 volunteers.

environmental responsibility of the companies. In addition to that, a big concern for NCA is Norway's significant support to The Amazon Fund and the lack of mechanisms to secure true involvement and access to the funds for civil society organizations.

Over the last 15 years, Brazil has emerged as one of the central political actors by being part of G20⁶. The country has gained a position of a key player in international negotiations, such as the World Trade Organization (WTO), and is actively seeking positions as a negotiator in regional conflicts in Latin America.

Since the 1990's, NCA actions in Brazil have grown through the identification and inclusion of new strategic partners. The global vision of NCA's program in Brazil is to promote the human dignity of disadvantaged and excluded people giving support to partners and to its work programs to increase participation, equity and protection. This is done by providing support that strengthens relevant institutions within civil society (NCA 2010). They also work with Corporate Responsibility, mainly in Norwegian companies worldwide.

According to the project leader of NCA in Brazil, the first focus in the country was the company Aracruz, in Espírito Santo state, because the director of the company, Erling Lorentzen, is Norwegian. Later on, they started focusing on Hydro and its operation in Barcarena. "But it was only after Hydro bought a larger share of Alunorte and Albras that we started our real work in Barcarena", said Programme Coordinator Brazil at NCA, Arne Dale. As stated by the NGO, civil society in Barcarena is weak and representing the people who have nothing. Therefore, the current goal of NCA is to help the local people to achieve a little more balance between them and the industry. "We want to show that they (local communities) are not alone", concluded Dale.

⁶ Group of 19 major economies countries and the European Union, with representatives of the International Monetary Fund and the World Bank.

3.8 Environmental accidents in Barcarena

Industrial production in Barcarena is mainly based on the exploitation of natural resources. Environmental accidents are one of the most damaging problems associated with economic growth. Since 2003, there have been 13 main environmental accidents and damages documented by reports from IEB, Evandro Chagas Institute and the local newspaper “O Liberal” (Table 4).

Date of accidents	Environmental accidents and damages	Company
April & May 2003	Drainage of red mud into the Murucupi River	Alunorte
June 2003	Death of fish on Itupanema beach due to drainage of waste	Alunorte
November 2004	Cloud of soot over Vila do Conde Port	
February 2006	Algae blooming in the Mucuruçá streams and off Caripi Beach	
August 2006	Contamination of well in the Industrial District with waste of kaolin processing + excessive release of soot from Imerys.	Imerys
June 2007	Drainage of acidic waste from kaolin industry into the Curuperê and Dendê (Vila do Conde) streams, reaching Pará River.	Imerys
September 2008	Leakage of fuel oil into the Pará River after the sinking of a tugboat.	
April 2009	Drainage of red mud into the Murucupi River.	Alunorte
June 2010	Cloud of soot over Industrial District.	
November 2011	Breakage of a duct with acidic waste, reaching the Curuperê and Dendê streams (Vila do Conde).	Imerys
July 2012	Leakage of kaolin through a rupture in the pipeline which transports kaolin pulp from Imerys (between the port and the plant) reaching Maricá streams.	Imerys
August 2013	Leakage of kaolin during maintenance over Curuperê streams (Vila do Conde).	Imerys
May 2014	Kaolin leakage from Imerys into Curuperê streams (Vila do Conde).	Imerys

Table 4: Main environmental accidents in Barcarena 2003-2014

Sources: IEB, Evandro Chagas Institute and “O Liberal”

Most of the accidents were caused by contamination from Alunorte and Imerys plants. According to IEB (2012:31) this situation exposes the precariousness of the production process, to the extent that industry has not developed alternative means for disposing solid and liquid wastes produced by their activity while there are no explicit public policies to address the issue.

However, a legal instrument has been used over the years in Barcarena to address damage caused by these accidents. The Conduct Adjustment Agreement (CAA, or TAC in Portuguese) is a deal between companies, public authorities and other governmental agencies. The main goal is to cope with the damages caused by actions or omissions that endanger the environment and/or the population of the municipality. It is a mean by which the local justice prosecutor (Promotor de Justiça, in Portuguese) can solve environmental conflicts without the involvement of the court system.

CAA is a legal tool similar to a consent decree: “a judgment entered by consent of the parties whereby the defendant agrees to stop alleged illegal activity without admitting guilt or wrongdoing” (Black 1990). Therefore, it makes the legal standard implementation more flexible to the circumstances facing the real life events.

3.8.1 Conduct Adjustment Agreement in Brazil

In the 1970's there were precedents of CAA in the Brazilian Legislation of pollution control. An example is the Law No. 997 from 31 May 1976, which allowed the authority to grant deadlines for polluters to adjust their activities respecting environmental limits. In the late 1980's, after modifications in Brazilian legislation arose the need to create and define rules for conduct adjustment. The term *conduct adjustment agreement* was originally mentioned by Law No. 8069 from 1990 as a hybrid instrument with effect in the civil, criminal and administrative spheres.

Later, the article No. 8078 from 1990 expanded CAA applicability when admitting public agencies to be in charge of commitments to adjust their conduct to legal requirements. In 2001, the Brazilian law authorized members from SISNAMA agencies to apply the CAA. SISNAMA are the institutions established by governmental agencies responsible for the protection and improvement of environmental quality (e.g. Ibama).

Since then, environmental CAAs have started to be applied in order to induce polluters to meet legal environmental requirements, mitigate or remediate imminent harm caused to the environment or even solve or prevent conflicts of nature that affect environmental licensing of activities or continuity.

Efficiency in solving environmental conflicts is critical to prevent further damage and, in this perspective, the CAA is an effective solution, since they also minimise bureaucratic procedures. The agreement involves the legitimate public agency (in the case of environmental law, the prosecutor), and the polluter agent. It is noteworthy that by accepting the terms of the statement, the polluter is not required to assume blame for the damage, it merely accepts to pay the charge. The document must contain the conditions, time and place for fulfilling the obligation. Plus, it should always take into consideration the economic condition of the violator for the purpose of imposing measures that suit their enforceability. In addition, the document must include penalties for breach of duty, which generally means a daily fine. The application must also comply with the obligation to fully recover the damage. If this is not possible, the second option is monetary compensation (Tamassia 26/09/2012).

The formalities and delays that are involved in judicial proceedings undermine effective conduct of urgent cases such as environmental accidents. But the CAA is also advantageous for the polluter because it can be adapted according to their real ability to comply, whereas a judicial decision must be abided by regardless of the polluter's ability to do so. Plus, the polluters avoid the

embarrassment of appearing as a defendant in the process, whether it is a civil action or criminal process.

3.8.2 Conduct Adjustment Agreement from 2007

Unlike previous CAAs in Barcarena, one case in 2007 turned out differently. Among the usual compensations, the company responsible for the environmental damages was required by the public agency (Ministério Público in Portuguese) to finance a capacity building project for local communities as one of the obligations of the deal.

In June, 11th, 2007, kaolin tailings leaked from one of the container basins of Imerys Rio Capim Kaolin Company, causing a contamination of nearby streams and rivers. In total, 350,000 liters of kaolin waste were dumped in Curupeté e Dendê streams, tributaries of Pará River. As a result, 500 families living nearby Vila do Conde community were affected. At the end, 52 families (196 people) were compelled to temporarily abandon their homes and fishing activities were impaired.

In addition to defining the company's obligations to compensate the environmental and social damage resulting from this accident, Pará Public Ministry included the financing of a capacity building program as a strategic action to provide resources to finance projects aimed at empowering local civil society (IEB 2012).

The decision was based on the monitoring of the Operational Support Center for the Environment (office of the Public Ministry) and dialogue with a range of organizations and local leaders. The person primarily responsible for the idea was the coordinator of the Center at that time, Raimundo Moraes, who is also the former prosecutor of Barcarena from 1993 to 1996 and current prosecutor in Belém. "The idea resulted from my experience with the local people, also based on the discussion of Habermas concept of the public

sphere”⁷. According to Raimundo Moraes, Barcarena was experiencing a high level of disorganization and a low degree of information among local people:

It took some time to mature this opportunity. Firstly, we had to know what the scope of these communities was and their relationship with the companies. The accident was a risk but also an opportunity to transcend boundaries in the public space (Interview: Moraes 30.10.2014)⁸.

As noted by the prosecutor, if compensation should have been divided between all those affected by the accident, it would represent a small amount of money for each of them individually (less than R\$ 500 or US\$ 196) but as a project it could reach many people.

Therefore, the agreement was a way to strengthen the political capacity of local community and to establish its role in participating on the decision making process for the future of Barcarena. The main point was to empower the leaders of each community so they could start demanding a stronger commitment from companies (to avoid recurring accidents) and from local government towards non-compliance to environmental legislation.

In conclusion, the Conduct Adjustment Agreement paid US\$ 180,000 to finance the local capacity building project and nominated the Brazilian NGO International Institute of Brazilian Education (IEB) to take over the program.

The decision to invite IEB came from the prosecutor’s previous experience with IEB educational program. He had already worked with the NGO in Washington, in the year of 1994. At that time IEB was a program of the

⁷ The public sphere may be understood as “a discursive space in which individuals and groups congregate to discuss matters of mutual interest and, where possible, to reach a common judgment”. Source: Hauser, G. (1998), "Vernacular Dialogue and the Rhetoricity of Public Opinion", *Communication Monographs* 65(3): 83–107.

⁸ All interviews in this study were originally in Portuguese and translated to English by the author, except the interview with Head of CSR at Hydro Rio de Janeiro, which was in English.

USAID (The United States Agency for International Development), which became the embryo for IEB today. “I have maintained a relationship over the years and a partnership. Moreover, there are not many specialized NGOs in capacity building in the Amazon, the IEB is the main one”, explained the prosecutor.

In conclusion, Moraes was pleased with the outcome. “CAA cannot change everything, but it contributed to many good things”. The prosecutor believes that the degree of change was significant and local communities today have more information. “The change was positive but it is not finished yet. On the other hand, the city government is afraid of losing space and companies are afraid of being overpowered”, he asserted.

3.9 IEB, capacity building and Intersectoral Forum

IEB is a Brazilian non-governmental organization (NGO) specialized in communities of the Brazilian Amazon, in particular Southern Amazonas and Pará’s territory. They work with subsistence agriculture, agrarian reform settlers and indigenous peoples, as well as environmental professionals and students from the private and public sector. The main goal is to educate and empower people and strengthen organizations focused on natural resource management, environmental and land management and other sustainability-related topics. IEB operates in network with partnerships and promotes interactions and exchanges between civil society, community organizations, government institutions and private sector organizations.

IEB has implemented an agenda based on two central projects in Barcarena: 1) one program to strengthen civil society organizations in their ability to dialogue with other sectors and 2) one program to support the creation and operation of an Intersectoral Forum. This Forum represents a new opportunity to local community. It is a dialogue space which gathers in the same room local communities’ leaders, municipal government and business sector, mainly

represented by Hydro. In other words, the first project is about providing training and information and the second project is providing a place to dialogue with business and municipal government.

In 2008, the NGO gathered local communities' leaderships in training activities, including workshops, courses and exchange programs in general themes: public budget, corporate social responsibility, public spaces, media training, environmental impact, etc. In parallel, IEB moderated negotiations between civil society, companies and local government.

Initially, the program established a network of 120 civil society organizations which was then narrowed down to 50 communities. Later, a Monitoring Committee composed by 15 leaders of civil society was created. According to IEB, one of the concerns since the beginning was to avoid any chance of this project to be framed as space of conflict restrains or even a leadership co-optation space for other purposes. IEB states that the goal of this project is not to substitute any other representation as labour union or institution council. It is about dialogue and development of collective actions (IEB 2013).

According to the leaders, the capacity building program is already showing results. Local communities managed to stop a project of a thermoelectric power plant in Barcarena in 2010, involving a large amount of pollution. "During the hearings, the company failed to show or convince us that it would be necessary for our city", explained Rosemiro dos Santos.

In order to better understand how the work of IEB was designed, the study will describe below the summary of the NGO activities in Barcarena from 2008 to July 2014:

2008: From March to May, IEB visited local civil society organizations in Barcarena in order to introduce the program and convince them to be part of the process. In August, the group initiated the planning phase of the

institutional strengthening project. The prosecutor presented the Conduct Adjustment Agreement (CAA) to 70 local community representatives.

2009: IEB focused on training workshops, while mapping and identifying local civil society groups in Barcarena to create Intersectoral Forum. The main seminars topics were: legislation, public spheres, sustainability, fundraising for civil society organizations, public budget, CSR, communal communication and mining legislation.

2010: IEB organized exchange experiences to local communities by the participation in conferences and social environmental meetings. That was also the year when European Commission (executive organization of European Union) started financing a continuation project of IEB in order to maintain the capacity building activities in Barcarena.

2011: IEB led the plan to negotiate the integration of business sector in the Forum. In parallel, the training program continued. At this stage, there were two key facts: Norwegian company Norsk Hydro became the majority shareholder of the manufacturers of aluminium in Pará while Norwegian Church Aid (NCA) became a partner of the project.

2012: Integration efforts with business continued but at a slow pace due to municipal elections that took priority. Meanwhile there was a consolidation of civil society mobilization with the publication of the agenda towards Intersectoral Forum, including key challenges. It was also a year of advances in business participation. NCA set a meeting in Oslo (Norway) among Hydro executive board and a group composed by civil society leaders of Barcarena, the prosecutor of Pará, the Norwegian government and IEB representatives to discuss the company's participation on the Intersectoral Forum. "We assumed that it was necessary to approach Hydro. They were coming to Barcarena and we saw the need to warn the company that we didn't want another Vale." (dos Santos: interview 15.07.2014). Leader representatives also had a meeting with Prio (Peace Research Institute Oslo) in Norway.

2013: Hydro officially joined the intersectoral dialogue project in Barcarena. The Norwegian company is the largest economic group in the municipality and, according to IEB was an essential player to guarantee local government commitment in the process. “They came for this dialogue, to contribute and build together. In fact they had a very positive participation (as a company) in the creation process of the Forum” (Santos: interview 14.07.2014).

2014: The Forum is officially launched in Barcarena after six years of research and planning. The project is composed by an executive commission from the civil society, an executive commission from the business sector and an executive commission from the local government.

During the first meeting in 2014, the three groups (civil society, business sector and local government) presented their proposals to the city of Barcarena. As reported by the final document, each sector introduced their plan as will be described below:

Civil society

Local people were represented by leaderships of different communities of Barcarena. The group proposed a fostering popular participation and social control over the performance of the government and the private sector in Barcarena, through 1) the creation and/or strengthening of democratic institutions and access to public information. They believed that the local government and business should encourage 2) the diversification of the productive base of the municipality, with special attention to strengthening family agriculture and tourism ventures and headed by women and youth. Civil society also demanded 3) the creation of mechanisms and strategies that enhance the universal access of the population of Barcarena to basic services and a healthy environment.

Business sector

The most powerful member of the business sector in the Forum was Hydro. Along with local commerce representatives, the business sector demanded improvements on 1) public safety in Barcarena, including institutional actions, campaigns, educational guidance and the support of social issues; 2) the democratization of information, regarding transparency in public management; 3) human development in capacity management, providing more conditions for citizens to grow educationally and have a higher level of political consciousness; 4) urban mobility, specially associated with the improvement of infrastructure and access to transportation; 5) investments in education, encouraging education from the primary school up to labor market and 6) business development, business opportunities in agriculture and trade, generating employment and foreign exchange.

Local government

Represented by the municipal government, this group focused the proposals on 1) the presentation the Municipal Government Plan and on 2) opening up the participation of all sectors of society in the revision of the Barcarena Master Plan (2014-2017).

3.10 Summary

This study wants to understand to what extent capacity building and historical discontent of society regarding social inequalities and environmental damages of industry have contributed to local community leadership claims for changes in Barcarena. As will be discussed in chapter Four, the power of business is one essential element regarding the debate of local community's perspective. Furthermore, the dynamic of power, legitimacy and urgency attributes of civil society are addressed within the Stakeholder identification and salience proposed by Mitchell et al. (1997).

4. Theoretical framework

In this chapter, the study will address the power of business regarding social and environmental issues worldwide and the role of Corporate Social Responsibility since the 1950's until today. Then, the chapter will discuss Stakeholder Theory literature and analyse the identification stakeholder diagram of Mitchell et al. (1997) which will be used to analyse the research question in chapter Five.

4.1 Business and sustainability

Taking into consideration that sustainability is the ability of something to sustain itself, a business seeking sustainability ought to cover environment, economic and social aspects of its activity impacts. Thus, moving towards sustainability is an interdisciplinary challenge for business. According to Dunphy (2003:11), the sustainability debate is currently being engaged in three levels: intellectual, corporate and consumption. The intellectual level is when someone raises the issues of current unsustainable practices and looks for solutions. In fact it is the purpose of this study and many others when there is the awareness of the considerable challenges of changing these practices. The debate reaches the corporate level and influences actions on daily basis of members of boards of management, workforce, non-government organizations and community. Finally, sustainability is also present in consumption. As consumers, society collectively creates patterns of financial rewards that shape the economy.

Many consumers correlate the term sustainability directly to environmental impacts of organizations. One of the reasons might be the way organizations advertise sustainability in their corporate websites and Public Relations (PR) campaigns. It is common to identify environmental symbols like a tree, a leaf, a drop of water, and headlines with buzzwords as 'recycling' and 'energy

efficiency'. Despite critics against greenwash strategy⁹, there is still a current commitment of organization practices towards the dimension of human sustainability. Moreover there is also a growing awareness of internal and external social issues, and broader interpretations of the meaning of corporate stakeholders.

Focusing on the corporate level, we can classify actors between internal and external agents of sustainability. Internal agents are composed by board members, CEOs, executives, managers, supervisor, professionals in staff and other members of the workforce. External agents are represented of politicians, investors, consultants, suppliers, financial analysts, social and ecological activists, community groups, regulators and consumers.

Dynamic partnerships between internal agents (e.g. managers), and external agents, (e.g. NGOs) are bringing shifts in corporate attitudes and practices. For example, the case of the Marine Stewardship Council in 2003 created among WWF and Unilever Corporation (UN Compact website, 2014). Moreover neighbor agreements are getting more common, in order to develop win-win solutions to problems. Corporations are recognizing the growing demand from across society for more participatory decision making and accountability. In the process, they have learnt the value of strategic alliances and sustainability.

Notwithstanding, shareholders also demand environmental and social responsibility and are using sustainability as a way to measure financial success, such as Dow Jones Sustainability. The financial markets are generally requiring more information on standards of accountability and the financial services industry is under pressure to provide for ethical investments.

⁹ "Used to describe the act of misleading consumers regarding the environmental practices of a company or the environmental benefits of a product or service". Source: Greenpeace website (www.greenpeace.org, accessed in 04/11/2014).

4.2 Power of business

It is said that power has shifted from the world of states to the world of business (Fuchs and Lederer 2007:2). At the same time, scholars and practitioners attribute an increasingly important role in global governance to business actors. The United Nations (UN) Global Compact, for example, was created to encourage business to ensure that markets, commerce, technologies and finance advance in ways that benefit economies and societies everywhere.

The idea for a Global Compact was first proposed by UN Secretary-General Kofi Annan in a speech to the World Economic Forum in January 1999. Officially launched two years later, it represents the first concerted effort of the UN to work with business. The UN Global Compact is a partnership between the United Nations, business, international labor and major transnational civil society organizations. It is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten principles in the areas of human rights, labour, environment and anti-corruption:

Human Rights

- 1: Businesses should support and respect the protection of internationally proclaimed human rights;
- 2: make sure that they are not complicit in human rights abuses.

Labor

- 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4: the elimination of all forms of forced and compulsory labor;
- 5: the effective abolition of child labor; and
- 6: the elimination of discrimination in respect of employment and occupation.

Environment

- 7: Businesses should support a precautionary approach to environmental challenges;
- 8: undertake initiatives to promote greater environmental responsibility; and
- 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Figure 11: The Ten Principles of UN Global Compact

Source: www.unglobalcompact.org

The Global Compact goal was to fill the governance void of the global economy and humanize the globalization process. With over 12,000 corporate participants and other stakeholders from over 145 countries, it is the largest voluntary corporate responsibility institution in the world (UN Global Compact 2014). Similarly, many practitioners in national and international politics tie the pursuit of sustainability to Corporate Social Responsibility (CSR).

The role of corporations in international environmental politics has changed dramatically over the last five decades. During 1960 and 1970 decades, environmental and economic objectives appeared to be mutually exclusive, and corporate involvement in international environmental politics was limited to occasional, and largely reactive, interventions to prevent burdensome regulations. In the 1980's, the corporate sector slowly started to change and a growing number of corporations began to integrate environmental objectives into their business operations. In the 1990's, firms were actively promoting sustainability goals and seeking to shape the global environmental agenda. Corporations also came to involve themselves more actively in other environmental negotiations (Falkner 2007:3).

Accordingly, the market and academia have turned to the concept of global 'governance' rather than 'government' to capture the nature of politics in today's globalized world. It cannot be questioned that business in general, and transnational corporations (TNCs) in particular, have become a political force that has to be taken into account. In fact, literature has repeatedly raised the question of the potential power of business regarding their responsibility towards issues such as democracy, social justice and sustainable development (Levy and Egan 2000, Levy and Newell 2005).

In order to continue the analysis of business influence, it is necessary to discuss the different spheres of power. According to Fuchs and Lederer (2007), power is one of the core concepts of political science and yet, it is also

one of the most controversial ones. Most political scientists would agree on defining power as ‘the ability of A to somehow affect the behavior of B’. However, there are three main approaches to look at: instrumental, structural and discursive power:

Instrumentalist approaches have a reference of an actor in the center of a relational concept of power based on the direct influence of an actor on another actor. Robert Dahl (1957 in Fuchs and Lederer 2007:5) defines it when ‘A has power over B to the extent that he can get B to do something that B would not otherwise do’. Thus, power is seen as a political actor’s ability to achieve results. The concept is often associated with Machiavelli and the instrumentalist perspectives have tended to explore how actors influence decisions by formal political decision-makers. In business actors, instrumental power applies to the act of investing resources to exercise influence in the political process, lobbying and financing campaigns.

Structuralist approaches emphasize the input side of policy and politics and the predetermination of the behavioral options of political decision-makers. As stated by Peter Bacharach and Morton Baratz (1962 in Fuchs and Lederer 2007:6-7) power is exercised when ‘A participates in the making of decisions that affect B. Power is also exercised when A devotes his energies to creating or reinforcing social and political values and institutional practices that limit the scope of the political process to public consideration of only those issues which are comparatively innocuous to A’. In political science, the notion of an agenda-setting power of actors took hold particularly in analyses of actors’ influence on negotiations, deriving from their position in institutional processes. However, it is difficult to analyze business structural power because it may not ‘leave a trace’. Self-regulation and Public Private Partnerships (PPPs), represent the exercise of structural power by business.

Discursive approaches adopt a sociological perspective on power relations in society. Power here is seen to be a function of norms, ideas, and societal

institutions. It is reflected in discourse, communicative practices, and cultural values. Lukes (1974 in Fuchs and Lederer 2007:7) defines it when “A may exercise power over B by getting him to do what he does not want to do, but he also exercises power over him by influencing, shaping or determining his very wants”. I agree with Fuchs and Lederer (2007) who suggest that it is the supreme exercise of power to get another or others to have the desires you want them to have and at the same time guarantee their compliance by controlling their thoughts and desires. Actors strategically use discourse to shape norms and ideas, for instance by employing symbols and storylines, and by strategically linking issues and actors to establish norms and ideas.

As an example of the discursive approach, business promotion of consumer and entertainment culture also exerts a political influence in the broadest sense, as it shapes the public’s attention and desires. Not surprisingly, business actors invest quite heavily in this source of power through image campaigns, the sponsoring of entertainment or philanthropic events, and the promotion of Corporate Social Responsibility and Corporate Citizenship discourses.

Therefore, the power of business has been the reason of a continuing debate about the role of corporations in environmental protection. For several years now, the core of the debate is based on the argument about whether the responsibility of the corporations is simply to create financial wealth for its owners or to contribute to the well-being of a wider range of stakeholders, including the community, the environment and future generations.

In environmental reports (IEB 2012), business is often identified as the biggest enemy. However, corporations can highly contribute to society and the environment. As Dunphy (2003:4) argued, crises faced by humanity can only be resolved by the use of coordinated corporate actions. The author mentions five key issues pressuring corporations to become more responsible global citizens: poverty, inequity (much of the material wealth is owned by the major

corporations of the developed world), unbalanced consequences (negative effects of globalization and industrialization are largely impacting on the developing world and the loss of traditional localized cultures and community life), pressure of the global audience (the failure of the international community of nations and individuals corporations to address these concerns is now a subject of intense interest to an increasingly aware and communicative global audience) and, finally, pressure to engage more corporate accountability and innovation for sustainability.

Multinational corporations, particularly those whose reputation is most at risk because of their high profile, have started supporting voluntary international codes of behavior. Many codes now exist. They include the Ceres Principles (www.ceres.org) and the Business Charter for Sustainable Development (www.iccwbo.org). Other corporations have taken part in the creation of measurement and reporting systems. For instance, the ISO 14000 series for systems of Environmental Management (www.iso.org).

4.3 Corporate Social Responsibility

There are many definitions of Corporate Social Responsibility (CSR) in a growing body of literature. It has become an umbrella term overlapping with some conceptions of business-society relations. It has clearly been a dynamic phenomenon (Matten and Moon 2008:405), and therefore it is constantly bringing new perspectives and applications.

From decades there is plenty of cross national evidence that CSR varies in terms of its underlying meanings and the issues to which it is addressed. After reviewing more than 30 years of research on CSR, Bakker et al. (2005) concluded that there is no academic consensus on its precise definition. Actors outside of the academia - for instance the European Union, the United Nations or the World Business Council for Sustainable Development (WBCSD) -

usually define Corporate Social Responsibility by referring to other concepts such as ‘sustainable development’ or the ‘triple bottom line’.

One early definition of CSR was proposed by Carroll (1979), who argued that CSR encompasses economic, legal, ethical and discretionary expectations that society has of organizations at a given point of time. Others such as Frederick (1986:4 in Apostolakou 2009:5) later argued that the fundamental idea of Corporate Social Responsibility is that business corporations have an obligation to work for social improvement. Wood (1991) suggested that society has certain expectations for appropriate business behavior and outcomes. Other contemporary definitions of CSR reflect a narrowing of the term, replacing society by stakeholders that are closer to the company. Bakker et al. (2005) argue that CSR reflects societal expectations of corporate behavior that is alleged by a stakeholder to be expected by society or morally required and is consequently justifiably demanded of a business. CSR invokes and overlaps with a number of other concepts used to describe the relationship between business and society including corporate social responsiveness, corporate social performance and stakeholder management (Apostolakou 2009:5).

In order to analyse how the CSR literature has been developed in the academia, the authors and definitions will be presented below separated by decades:

The 1950’s: At first, the term used was often simply Social Responsibility (SR). Carroll (1999:269) argued that one possible explanation is because the age of the modern corporation’s prominence and dominance in the business sector had not yet occurred or been noted. The first publication was the book “Social Responsibility of the Businessman” by (considered father of CSR) Howard R. Bowen in 1953 that believed that the several hundred largest businesses were vital centers of power and decision making and that the actions of these firms touched the lives of citizens at many points. In his book,

Bowen defined the initial concept of social responsibility of business as “obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen 1953:6 in Carroll 1999:270). He also quoted a survey from “Fortune” magazine which the editor wrote that CSR, or ‘social consciousness’ of managers meant that businessmen were responsible for the consequences of their actions in a sphere somewhat wider than that covered by their profit-and-loss statements.

The 1960’s: During this decade there was considerable growth in attempts to state what CSR means and one important writer of this decade was Keith Davis (1969) - whom Carroll believes that should be considered the father of CSR. Davis’ definition of social responsibility was “businessmen’s decisions and actions taken for reason at least partially beyond the firm’s direct economic or technical interest” (Davis 1960:70 in Carroll 1999:271), while he explained that it is also a nebulous idea but should be seen in a managerial context. Later on, Davis wrote about his views regarding the relation between social responsibility and business power: “if social responsibility and power were to be relatively equal, then the avoidance of social responsibility leads to gradual erosion of social power” (Davis 1960:71). In 1967, Davis revisited his concept and wrote “the substance of social responsibility arises from concern for the ethical consequences of one’s acts as they might affect the interests of others” and that “it moves one larger step further by emphasizing institutional actions and their effect on the whole social system. Social responsibility, therefore, broadens a person’s view to the total social system” (Davis 1967:46 in Carroll 1999:272).

Another contributor was Joseph McGuire with his book “Business and Society” (1963:144 in Carroll 1999:272). His definition of social responsibility was based on the idea that the corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations. He believed that the corporation must

take an interest in politics, in the welfare of the community, in education, in the happiness of its employees, and in, fact, in “the whole social world about it”.

In 1967, Clarence C. Walton emphasized two important ingredients of CSR: a degree of voluntarism and the acceptance that costs are involved for which it may not be possible to gauge any direct measurable economic returns.

The 1970’s: In 1971, Harold Johnsons wrote that a socially responsible firm is one whose managerial staff balances a multiplicity of interests. “Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation” (Johnsons 1971:50 in Carroll 1999:273). The author believed that social responsibility implies that a socially responsible manager is not only interested in his/her own well-being but also in the well-being of other members of the enterprise and the well-being of his/her fellow citizens.

Meanwhile, the Committee for Economic Development articulated a three concentric circle definition of Social Responsibility:

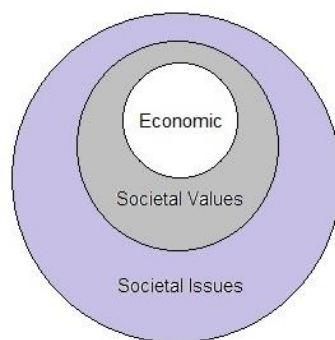


Figure 12: Diagram definition of Social Responsibility

Source: Author based on CED

The inner circle includes basic responsibilities for the efficient execution of the economic function (e.g. products, jobs and economic growth). The intermediate circle is about responsibilities with a sensitive awareness of changing social values and priorities (e.g. concern with environmental

conservation and relations with employees). The outer circle outlines emerging responsibilities that business should assume to become more involved in improving the social environment (i.e. poverty) (CED 1971:15 in Carroll 1999:275).

Another author from the 1970's was George Steiner, who defended that business is and must remain fundamentally an economic institution, however it does have responsibilities to help society achieve its basic goals and does, therefore, have social responsibilities. The larger a company becomes, the greater are these responsibilities, but all companies can assume some share of them at no cost and often at a short-run as well as a long-run profit. The assumption of social responsibilities is more of an attitude, of the way a manager approaches his decision-making process. It is a philosophy that looks at the social interest and the enlightened self-interest of business over the long run.

It is the firm's obligation to evaluate - in its decision-making process - the effects of its decisions on the external social system in a manner that will accomplish social benefits along with the traditional economic gains which the firm seeks. It means that social responsibility begins where the law ends. A firm is not being socially responsible if it merely complies with the minimum requirements of the law.

Henry Eilbirt and Robert Parket (1973) referred to it as 'good neighborliness', saying that social responsibility means the commitment of a business to "an active role in the solution of broad social problems, such as racial discrimination, pollution, transportation, or urban decay" (Eilbirt and Parket 1973:7). In 1975, Jules Backman gave some examples, such as employment of minority groups, reduction in pollution, greater participation in programs to improve the community, improvement of medical care, improvement of industrial health and safety – these and other programs designed to improve the quality of life.

In 1976, H. Gordon Fitch defined CSR in terms of solving social problems. He stated that CSR is defined as the serious attempt to solve social problems caused entirely or in part by the corporation.

The 1980's: During this decade there were fewer definitions, more research, and alternative themes such as public policy, business ethics, and stakeholder theory & management. Peter Drucker (1984) also contributed with a definition, affirming that:

The proper social responsibility of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive capacity, into human competence, into well-paid jobs, and into wealth (Drucker 1984:62 in Carroll 1999:286).

Furthermore, CSR is defined by most authors and institutions as voluntary actions, which “complicates cross-country analysis since the delineation between voluntary and mandatory actions depends on the each national legal frameworks” (Gjølberg 2009:613). In its very name, CSR presumes corporate choices. Yet, it also entails conformance with the law and with customary ethics, embedded in ongoing systems of social relations. Given that different societies have developed different market systems, reflecting their institutions, their customary ethics, and their social relations, it would therefore follow that we might expect some differences in the ways in which corporations express and pursue their social responsibilities among different societies.

From 1990's to present: Crane et al. (2008:3 in Gjølberg 2010) describe the rapid growth of CSR since the 1990's as a ‘unique rise of prominence’ in the management literature, due to its ability to attract interest from business, civil society, media and government. In a new-institutional perspective it can be argued that CSR resembles an ‘institutionalized myth’ (Meyer & Rowan 1977 in Gjølberg 2010) or a ‘master idea’ in the sense that “CSR provides a widely accepted prescription for business-society relations, and is perceived as a

natural and an appropriate approach to the problem at hand” (Gjølberg 2010:205).

CSR empirically consists of clearly articulated and communicated policies and practices of corporations that reflect business responsibilities for some of the wider societal good. CSR is therefore differentiated from business fulfilment of core profit-making responsibility and from the social responsibilities of government (Friedman 1970).

Gradually, the corporate sector has established global reach and that fact has become its most compelling attraction to other social actors. Plus, corporations have the ability to make and implement decisions at a pace that neither governments nor intergovernmental agencies can possibly match. In the face of global governance gaps and governance failures, civil society seeks to engage the corporate world’s global platform to advance broader social objectives.

4.3.1 Critics against CSR

In 1973, Neil Chamberlain concludes that the dream of the socially responsible corporation that can transform our society was illusionary. Nearly thirty years later, Milton Moskowitz wrote in the “Business Ethics” 15th issue that taking into consideration the history of CSR, it has consisted of 95 percent rhetoric and five percent action. Other scholars (Laffer in Vogel 2005:12) argue that CSR has motivated corporations to take risks and redirected management time and financial resources away from the corporation’s core economic mission, which is to create wealth for its shareholders.

However, Vogel (2005:12) argues that more responsible firms are not necessarily more profitable, but neither are they less so. Thus, it is possible for a firm to commit resources to CSR without becoming less competitive.

Furthermore, many corporate executives accept the business case of CSR. According to a 2002 survey by PricewaterhouseCoopers, 70 percent of global chief executives believe that CSR is vital to their companies' profitability.

In addition to that, it is still hard to draw broad conclusions about the relationship between CSR and profits because the studies often measure different things. In the 95 studies summarized by Margolis and Walsh (in Vogel 2005:30), financial performance is measured in 70 different ways: these studies employ 49 different accounting measures, 12 different market measures, 5 measures that mix accounting and market indicators, and 4 other measures of outcome performance. Accounting measures are usually used as indications of prior financial performance for studies that seek to explain the impact of CSR on financial performance, while market measures are usually employed to assess future performance when financial performance is used to explain CSR.

4.4 Stakeholder Theory

Stakeholder theory is at the heart of Corporate Social Responsibility. Corporate Social Responsibility derives from expectations that are external to decision-makers (directors and shareholders); it is a response to demands from consumers, investors, employees and, more generally, society, that would like to see business more effectively integrated into public life. The number and intensity of such demands has increased because business policies, particularly those of multinationals operating simultaneously in various regions around the world, have considerable social, cultural and environmental consequences (Bonnafeous-Boucher 2010:48).

In "Strategic Management: A Stakeholder Approach" (1984), R. Edward Freeman formulated his first comprehensive theory about the subject. He describes the stakeholder concept as enriching the current state of the art in strategic management given that the point of strategic management is in some

sense to chart a direction for the firm. Groups which can affect that direction and its implementation must be considered in the strategic management process (Freeman 1984:46).

Earlier conceptions defined stakeholders as “those groups without whose support the organization would cease to exist” (Stanford Research Institute 1963 in Freeman 1984:31). The first discussions argued that the point of understanding the expectations of stakeholders was that without doing so, managers could not formulate strategies with which one would obtain the support necessary for even the continued survival, let alone competitive advantage of the firm. Freeman later attributed stakeholder theory is more embedded in the business ethics literature than in the strategic management literature. Freeman also worried that CSR might be understood as a separate activity from the business operations – when the two should instead be considered inseparable (Elms 2011:1-2).

Recently, a critical issue in the debate has been the virtues of the “neoliberal economics” versus “stakeholder capitalism”. Neoliberal economics, led by the economist Milton Friedman, argues that the role of the corporation is simply to maximize short-term returns to shareholders. Freeman and other theorists assert that successful (or even lasting) business must meet stakeholder demands for responsible operations. Addressing the tendency to separate economic and social effects, Harrison and Freeman (1999:483) refer to the distinction as ‘arbitrary’. Indeed, one of the original ideas behind the stakeholder management approach was to try to find a way to integrate the economic and the social (Harrison and Freeman 1999:483-484).

4.4.1 Who is a stakeholder?

In general, researchers working on Stakeholder Theory follow Freeman (1999), who provides two definitions, the first “broad”, the second “narrow”. The broad definition casts the stakeholder as a person or entity which can affect or who is affected by the achievement of an organization’s objectives.

In the narrow definition, the stakeholder is a person or entity on which the organization is dependent for its continued survival. It is generally considered that Freeman's narrow definition is more easily applied in practical situations.

This study is based on the idea of the broad definition: the fact that the company affects directly the wellbeing of the local communities in Barcarena, Brazil. The impact started from the moment the factories were constructed. Hundreds of workers moved to town in order to build the aluminium complex. Moreover, these workers started to live in the neighborhood, begin grocery shopping, and driving the local roads (or using public transportation), their children started going to the local school, they started paying for electricity and water supply (and demand a large system of electricity and water supply), paying for taxes and contributing for the pollution of the region. After the factories began operating, the industry action affected the local communities again because of noise, waste, unemployment (less people were needed compared to during construction period), in order to achieve the organization goal, which is profit. The local communities (as local stakeholders) also affect the organization, especially by its influence on public opinion and political sphere. They go to the businesses asking for help (e.g. financial support) and they complain if they are not satisfied with the situation. For instance, they go to the media to criticize the company actions and that can turn into bigger issues for the image of the organization towards public opinion or final consumers and consequently impact their sales results.

Freeman reinforces a 'name and faces approach' to firm relations with stakeholders, explaining how 'concrete business problems' can be solved by focusing on individual relationships:

Stakeholder theory enters in the CSR debate by suggesting that the managers of the corporations have a responsibility not simply (and vaguely) to serve the general interests of society, but rather to serve the

interests of the corporation's stakeholders (Freeman et al. 2010:260 in Elms 2011).

One of the major tasks of stakeholder theory is not only to identify who matters, or who should be considered a stakeholder, but to seek boundary constraints defining who might not be considered a stakeholder at all (Mitchell et al. 1997). Phillips (2003) elaborates one possible rationale, arguing that most claims on the firm by secondary actors (for example, NGOs, unions) merely derive from their relationship to other stakeholders with a more direct, legitimate claim on the firm (customers, employees).

4.4.2 Firm-centric stakeholder models

A traditional stakeholder map (Figure 13) first proposed by Freeman (Evan and Freeman, 1988:102), places the corporation in the center of the graphic, and that remains so in the Freeman, Harrison and Wicks 2007 (Figure 14) more complex interaction (Elms 2011:114). Our mental model of corporate governance and corporate responsibility is partly constructed from these graphics, because effective graphs create or revise our mindset, thus our views of the firm, its stakeholders, and its responsibilities. As Yves Fassin notes, a single graph can be worth more than a thousand words (Elms 2011:115).

As it can be noted on Figure 13, the corporation started to look around and acknowledged the existence of many groups that are part of them or surround them. The manager needs to consider all of the groups' objectives. In other words, the company needs to be concerned about what is happening with employees, suppliers, local communities, customers and shareholders. The line of reasoning gets more complex in Figure 14, when managers realized that it is not just the interest of the previous group relying on their consideration. The managers realized that media, NGOs, competitors and government are also important.

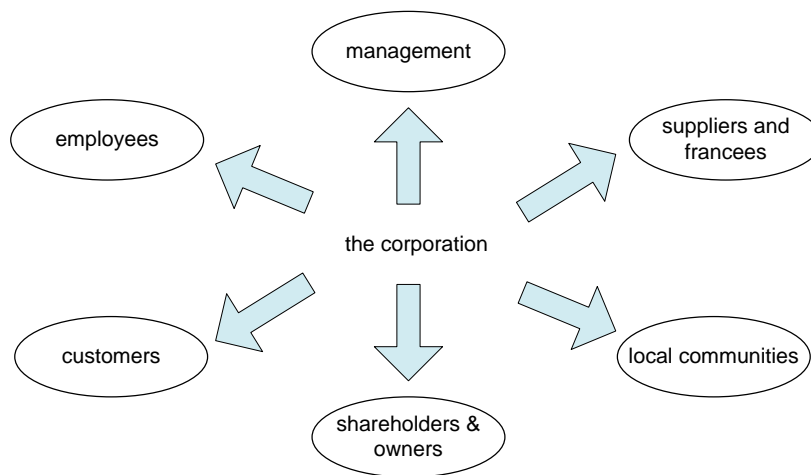


Figure 13: Traditional stakeholder map

Source: Evan and Freeman (1988:102 in Elms (2011:115)

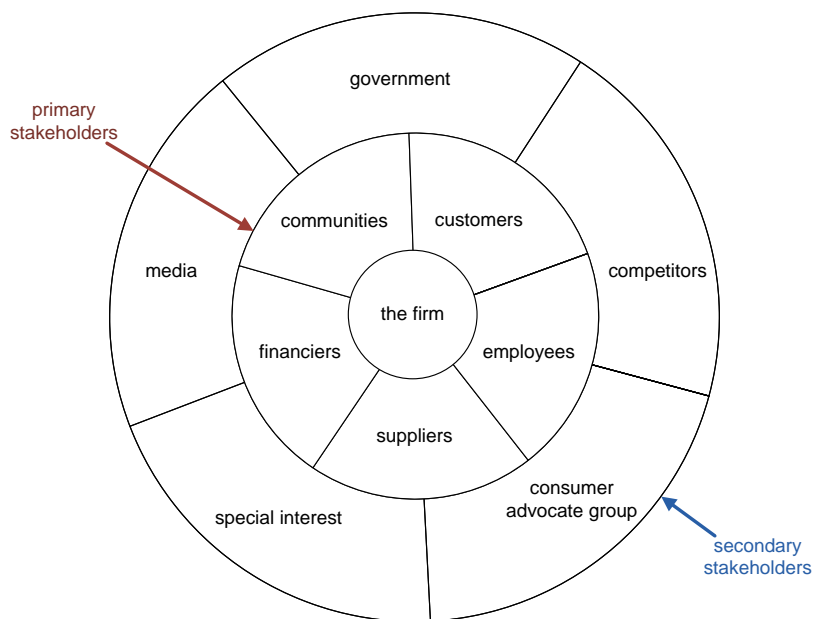


Figure 14: A more complex stakeholder model

Source: Freeman, Harrison, and Wicks (2007:51) in Elms (2011:115)

The two diagrams show us that there are many ways of connecting stakeholders and classifying them. This study will further define what identification will be used in the case. However, it is valid to be aware of the plurality and dynamic of stakeholders.

4.4.3 Stakeholder Identification and Salience

Mitchell et al. (1997:853) generated a typology of stakeholders concerning their salience to managers of the firm, which is the degree to which managers give priority to competing stakeholder claims, and management implications. Based on the work of Freeman (1984), they claim that there is no agreement on what he calls The Principle of Who or What Really Counts and there is a need for a theory of identification that can separate stakeholders from non-stakeholders. Therefore the proposition calls for a normative theory of stakeholder identification to explain logically why managers should consider certain classes of entities as stakeholders and question the stakeholder salience.

In stakeholder literature there are many definitions, such as primary and secondary, owners and non-owners of the firm, as resource providers and dependents of the firm, as risk-takers and influencers, etc. Also there are a number of narrow definitions that attempt to specify the pragmatic reality that managers simply cannot attend to all actual or potential claims, and then propose priorities for managerial attention.

The identification concept started with a broad definition based on Freeman regarding “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman 1984:46) so that no stakeholders are excluded from analysis. Then, it proposed that classes of stakeholders can be identified by their possession or attributed possession of one, two, or all three of the following attributes: 1) the stakeholder’s power to influence the firm, 2) the legitimacy of the stakeholder’s relationship with the firm, and 3) the urgency of the stakeholder’s claim on the firm. In the end, the variables define to whom managers should pay attention.

Furthermore, the authors (Mitchell et al. 1997:855) suggested a dynamic model that helps to explain how managers prioritize stakeholders’ relationships. Knowing what types of stakeholders actually exist, and why

managers respond to them the way they do, the typology sets the stage for future work in stakeholder theory that specifies how and under what circumstances managers can and should respond to various stakeholder types. In conclusion, stakeholder identification shows how power and legitimacy interact and, when combined with urgency, create different types of stakeholders and this has implications for the expected behavioral patterns regarding the firm. The definition of stakeholder attributes being:

Power to influence the business

According to Weber (1947), power is “the probability that one actor within a social relationship would be in a position to carry out his own will despite resistance”. While Pfeffer rephrases Dahl’s (1957) definition of power as “a relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not otherwise have done” (Pfeffer 1981:3 in Mitchell et al. 1997:865). The authors noted however that power is transitory: it can be acquired as well as lost (Mitchell et al.1997: 865-866).

Legitimacy relationship with the firm

The authors accept Weber’s (1947) proposal that legitimacy and power are distinct attributes that can combine to create authority (defined by Weber as the legitimate use of power) but that can exist independently as well. Suchman (1995) defined legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (1995:574). The authors (Mitchell et al. 1997:867) reminded that legitimacy “is attained in a system with multiple levels of analysis such as individual, organizational and societal. The definition implies that legitimacy is a desirable social good, that it is something larger and more shared than a mere self-perception, and that it may be defined and negotiated differently at various levels of social organization.

Urgency of claims on the firm

The model proposes that adding the stakeholder attribute of urgency helps move the model from static to dynamic. Urgency is defined by the Merriam-Webster Dictionary as ‘calling for immediate attention’ or ‘pressing’. Urgency is based on 1) time sensitivity – the degree to which managerial delay in attending to the claim or relationship is unacceptable to the stakeholder, and 2) criticality – the importance of the claim or the relationship to the stakeholder. It defines urgency as the degree to which stakeholder claims call for immediate attention.

According to Mitchell et al. (1997:875) identification, areas 1, 2, and 3 are called ‘latent stakeholders’, which are identified by their possession or attributed possession of only one of the attributes. The following areas 4, 5 and 6 are ‘expectant stakeholders’ identified by their possession or attributed possession of two of the attributes. Finally, the combination of all three attributes is the defining feature of highly salient stakeholders in area 7, the ‘definitive stakeholder’. According to this model, entities with no power, legitimacy, or urgency in relation to the firm are not stakeholders.

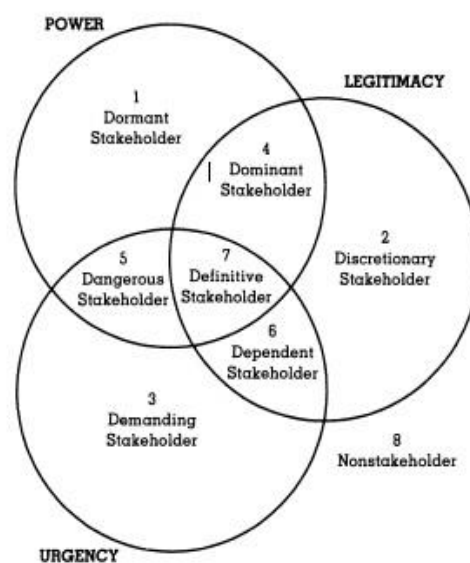


Figure 15: Stakeholder identification

Source: Mitchell et al. 1997:874

Thus, local communities in this study are classified previously as ‘dependent stakeholders’ moving forward to a definitive’ stakeholder’s position. The chapter Five will analyze that dynamic perspective proposal.

Dependent stakeholders are the group who lack power but who have urgent legitimate claims as "dependent," because these stakeholders depend upon others for the power necessary to carry out their will (Mitchell et al. 1997:877). The authors explained that since power in this relationship is not reciprocal, its exercise is governed either through the advocacy or guardianship of other stakeholders, or through the guidance of internal management values (Mitchell et al. 1997:877). The case of oil spill from the Exxon Valdez in Prince William Sound (Alaska) on March 1989 is used as an example of dependent stakeholder identification: “We can show that several stakeholder groups had urgent and legitimate claims, but they had little or no power to enforce their will in the relationship” (Mitchell et al. 1997:877). In this case, stakeholders groups such as local residents had to rely on the support of more powerful and dominant stakeholders for the claims to be satisfied.

5. Analysis

In this chapter, the study will discuss to what extent local communities in Barcarena had power and legitimacy towards the aluminium industry and to what extent was there a matter of urgency, according to the theoretical framework, on chapter Four. In order to understand the dynamic status of local communities regarding the business, this chapter will analyze the relationship between local people and the industry in two different periods: the first one from 1980 to 2011, when Brazilian Vale was in charge of the aluminium production chain. The second period is from 2011 to July 2014, when the Norwegian ownership of the industry complex in Barcarena took place until my fieldwork in Pará.

5.1 Local communities as stakeholders (1980-2011)

Local communities' representatives, when asked to describe Vale in words, chose expressions as “bureaucratic”, “insensitive” and “arrogant”. Such blunt answers are often used to express their first experience as stakeholders of the industry in Barcarena in the 1980's. The Vale administration years started with the construction of aluminium complex in Barcarena and lasted until 2011. It was characterized by a lack of transparency from Vale and local government, discontent from local people and occasional charity social projects.

According to the stakeholder identification diagram (Mitchell et al. 1997) the first attribute of the local communities to be discussed is legitimacy. The definition of legitimacy used by the stakeholder identification is the one described by Suchman (1995:574) as a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.

During the first period of time, the relationship of the local community with business was identified as legitimate due to the fact that they are the people

living in the territory which was “invaded” by the aluminium complex in the 1980’s. That means that people’s culture and history are embedded to that land. Therefore, local communities have been playing a legitimate role as a stakeholder of the aluminium production chain since the beginning of the construction of the complex in Barcarena.

The second attribute to analyse is stakeholder’s urgency. Urgency is the degree to which stakeholder claims call for immediate attention and is based on two concepts: time sensitivity and criticality. Over the years, local community has faced time sensibility regarding environmental and social perspectives in Barcarena. One main issue is the pollution that the industry activities produce. If the industry continues to pollute, local people will get sick or will be forced to move to other regions. According to interviews, waste management is one of the biggest environmental ‘time-sensitivity-urgency’ problems to local communities in Barcarena. As stated by Rosemiro dos Santos, the challenge today is to fight inequality concerning environmental issues. Community leader Walmir Souza suggested that Alunorte should treat the waste of alumina operations, considering that 50 percent of each ton of bauxite is waste and it is placed in pools in the factory. According to him, academics at Federal University of Pará currently study the subject and they recommend using the waste for making ceramic material, like brick. The cost of a thousand bricks today is R\$ 240 and with this new process it would go up to R\$ 500. But there are arguments that defend that the environmental gain justifies the higher cost. “My point is, these expenses with technology should have been already included in the project cost of the plant from the first place” (Souza: interview 15.07.2014).

In the social perspective, time also matters to local people when demanding job opportunities. Back in the 1980’s the construction displacements and pollution has affected the local production of agriculture and fish and the community had no alternative but to start working in the industry. However, they did not have technical training and were often unemployed. In that case,

poverty increased and thus local people could have fallen in a life of crime, drugs and prostitution. Community leader Cleide Monteiro mentioned many times how frustrating it is to watch workers from other cities or even states of Brazil moving to Barcarena with better curricula and taking job vacancies while people from her community are still unemployed. Leader Angela Santiago concluded that the community needs many things, especially technical training. In fact, during the fieldwork it was common to see 20-30 year-old men sitting in the porch or chatting in the city squares during working hours. Angela asserts that today young people drop out of school at eighth grade because “they don’t see the point”. As noted by her, no one in the community works at a manager-level position at the company; it is generally workers from out of town, usually from Belém or São Paulo. “There are only cleaning, cooking or basic contractor jobs left for us. A technical course costs R\$ 300 (US\$ 115) and it makes it difficult for an unemployed person to pay the fee”. According to the community leader the company should look inside the community since there is no one who better understands the reality than the people in the community” (Santiago: interview 16.07.2014).

Regarding the concept of criticality in urgency, it should not be ignored that local community’s issues are mainly talking about human lives. There are families living next to the industry and in case of environmental damage and no job opportunities, this group will be forced to move Barcarena, and perhaps repeat the same situation somewhere else, where they may face new problems such as being the outsider (and then less legitimacy attribute).

The third and last stakeholder attribute to discuss is power to influence the business. According to the analysis based on stakeholder identification and salience to business, local communities’ power to influence business was almost inexistent for the last 30 years in Barcarena. This study concludes that the geographic isolation of the aluminium complex played an important role for the understanding of power of business until 2011. The isolation from financial centers in the Brazilian Southeast region benefits the business’s goal

for profit at the expense of local communities' rights. Barcarena is 2,000 km away from big cities such as São Paulo and Rio de Janeiro and that makes it difficult to bring attention of the national media, which can be one of the strongest tools against unethical business and corruptive governments. The distance and lack of media coverage from the countryside of Brazil kept the information away from opinion leaders. Along with media, opinion leaders can be the voice to local people claims regarding social issues and environmental damage caused by industry, for example. With the help of these two channels, local communities can influence the opinion of shareholders and customers and, consequently have the power of influencing the business. Another setback was the limited academic and technical education level of local people in Barcarena. They were represented by agriculture workers, fishermen, indigenous people and housewives who did not know much about legislation, sustainability terms and corporate vocabulary so then they were not able to demand their rights.

However, by the time Hydro took over the production chain in Barcarena, people were confident to express what they wanted from the industry. After the first years of capacity building they concluded that they wanted more power as local stakeholders as well as more transparency from industry in Barcarena. "We wanted to be included", said Petrolino Alves. The majority of the leaderships assumed that transparency is the key point for Corporate Social Responsibility. They wanted to be real stakeholders of the industry and be part of the decision making process in order to guarantee their demands. The main purpose was to be taken seriously after historically being ignored while the government and industry were negotiating what would and did impact the wellbeing of all Barcarena. "Sustainable development is when everyone sees the development. What about the rest of the population who is breathing this air?" (Alves: interview 17.07.2014).

5.2 Local communities as stakeholders (2011-2014)

The second part of the analysis of local communities as stakeholders takes into account the period from the start of Hydro administration in 2011 until the end of the fieldtrip, which was on July 2014. Once again, I asked local communities to describe their relationship with the business, in this case Hydro, and they used the following expressions: “more open”, “opportunity to change” and “positive expectations”. At this time, the descriptions were not about pointing fingers to the alleged enemy. Local communities used sentences which expressed a relational perspective, including their active role in the relationship. Thus, it is possible to identify a change in the relationship with the business as stakeholders of the company. It is suggesting a dynamic role of local communities in Barcarena moving forward a more representative stakeholder status.

According to the three attributes of the stakeholder identification diagram (Mitchel et al. 1997), legitimacy and urgency of local communities are identified as the same position as in the analysis of first part (from 1980's to 2011 as discussed in 5.1). However, the study recognizes that the attribute of power of influence has changed over the last three years. Local communities have gained an increased power of influence the business. The main reasons being the intervention of the local prosecutor (which lead to capacity building), the shift from Vale to Hydro and the discontentment of local people.

The first step was the prosecutor's decision of breaking the historical cycle of short term solutions after environmental accidents by industry, such as charities compensation for local communities. In 2007, he ordered investments on capacity building of local people and invited the Brazilian NGO IEB to take over the project. IEB held seminars and workshops to teach local people about environmental impacts, legislation and corporate responsibility. Local people then empowered themselves and became better informed of the technical terms of industry activities, how the law can be applied to their

benefit and how to communicate in the corporate environment. That knowledge became an instrument of local communities' power to influence the company as a stakeholder.

The second step happened when Hydro became the major shareholder of the aluminium complex in Barcarena. To some it merely meant a symbolic change, to others it was indeed about a different CSR strategy. Nevertheless, the shift represented the favorable scenario for a brand new start of relationship between local communities and the industry. That created an opportunity for local people to express clearly their concern with social and environmental issues in town.

The third step was the discontentment of the people and the will to not go back to the position where they came from. Now local communities have the knowledge and the opportunity to use that information, and most of all, they are better organized and determined to go forward and build a new relationship as stakeholders in Barcarena.

Therefore a dynamic process happened in this case study: local communities initially positioned as 'dependent' stakeholders are moving in direction of a 'definitive' stakeholder status. According to the diagram area 6 ('dependent stakeholder') is the group that has urgent legitimate claims while depending upon others for the power necessary to carry out their will. The combination of all three attributes is the defining feature of highly salient stakeholders in area 7 ('definitive stakeholder').

This thesis claims that Barcarena communities are moving towards a more powerful status as local stakeholders. In other words, local communities are broadening their role in Barcarena's social political economic sphere. They want to fill a more powerful position and a new degree of influence. Thus, with the help of instruments such as the capacity building workshops and the Intersectoral Forum, civil society aims at getting more transparency from business activities and becoming more active players in the diagram, with

more power bargaining inside the decision making process of the industry and the local government.

5.3 The awakening of civil society

When this study mentions local communities, it means people living in the municipality of Barcarena, state of Pará. Some of them are engaged for years in the industry impacts in the region and some groups have just recently joined the process. In the beginning of the mapping research by NGO IEB, there were 120 civil society organizations. Over the planning of the capacity building program the number of participants was reduced to 70 groups and currently, the network is composed by 50 local communities. There are community centers, labor unions and groups of people living next to the plants represented by teachers, housewives, retired politicians, religious leaders and indigenous people, for example. At different degrees, the only thing binding them is the aluminium industry impacts in their lives. “We (local communities) get along. I believe we have more or less the same motivation. This is our reality, so we must fight, and fight for the new generation”, concluded community leader of Vila Nova Itupanema, Angela Santiago (Santiago: interview 16.07.2014).

During the first interview approach, the storytelling of a quiet town is their favorite part. They are clearly very happy and nostalgic when describing things that they have lost since the new industrial reality of Barcarena was established: the Pineapple Festival, the wild nature, the rich trees of açaí and *pupunha* and the safety feeling among parents taking their children to school.

Another unanimity amongst locals is their positive expectations towards the Norwegian management of the two biggest businesses in town, Alunorte and Albras (alumina and aluminium plants). That can mean two things: number one is that they had a negative experience with the previous Brazilian company Vale and they see Norwegian Hydro as a “beacon of hope” or

number two, that they are convinced that the new business will be more responsible, either due to a genuine CSR approach by managers or to high standards of CSR in Scandinavian countries.

After the shifting of the companies in 2011, Hydro has started a process of rapprochement with local communities focusing in the importance of transparency. In order to avoid suspicious from civil society, the company opened their doors to leadership visits and launched a newsletter focused on this group to report social and environmental programs related to their economic activities.

In addition to that, Hydro is the only major business taking part of the Forum, which represents a big step in the process. Even though the environmental damage in 2007 (which resulted in the compliance agreement) was attributed to another company (Imerys Kaolin), Hydro is in fact the only business representative in the Intersectoral Forum. IEB had shown a concern that perhaps they are participating too much in a way. Opening a discussion if Hydro genuine interest to join the Forum was to have more control and power over the situation. Although it is a risk to take, the plan of IEB is to convince other companies operating in Barcarena to join the Forum and increase the efforts to find a stronger debate about the future of Barcarena.

According to leaderships, one of the main previous issues dealing with companies was the bureaucratic relationship that they felt forced to accept. Plus, the technical vocabulary and the complicated words that were used to present arguments brought a feeling of insecurity among many local people. They felt inferior, vulnerable and frustrated. Taking into consideration that most of them do not have a High School degree, it is an unfair relationship for business to expect that local people would fully understand environmental impact reports on their own. Regarding IEB, all of the leaderships interviewed were positively impressed by the work of the Brazilian NGO in Barcarena. Firstly with the capacity building program and then with the Forum. Most of

the leaders explained proudly what they had learned in the lectures and workshops by describing that they are already applying the knowledge in their relationships with the companies.

Nevertheless, they do not give all the credits for IEB. At many times, community leaders attested the success of the capacity building to their own effort of taking this chance and making it an opportunity to improve their knowledge. Furthermore, that brings a new power relation in the picture: not all people from the local communities had the chance to participate in the capacity building process. Each community chose or elected a leader and this leader was the one who participated in the workshops and teaching classes. Nevertheless, this power relation between the leader and the rest of the community group can go to two opposite directions: the first one happens if the leadership share his/her knowledge with the rest of the group in order to spread capacity building achievements amongst all; the second one occurs if the leader centralizes the 'power of knowledge' for his/her own benefit:

After we started this training, we became a little more prepared, of course. Because we have questioned the companies but did not have that foundation of how to claim certain things and then companies saw us as we were begging. On the other hand, there is always someone who wants to take advantage to himself, right? In a big group of people there are always those who want to take advantage (dos Santos: interview 15.07.2014).

The secretary of Urban Planning in Barcarena reminded that all conduct adjustment instruments reflect a pre-existing condition and the best scenario would be the one that actually does not require the use of such an instrument. However, he believes that the decision to apply resources from CAA in the training of social leaders for the relationship with business and government was a great solution to improve dialogue. "It is important to bring business,

civil society and government to act together, especially to prevent new impacts of the economic activities".

According to Walmir de Souza, local communities asked for basic training on environmental laws to understand their rights. Plus, a seminar about public budget. "Basically we wanted to have control over public forces. Another issue is communication: we wanted to learn how to communicate with these people" (Souza: interview 15.07.2014).

Leaderships mentioned the beginning of a new respect relationship, which can be evaluated as new changing power relations between the company managers and the community. "Nowadays there is this two-way dialogue. Since the start of the Forum, local community is demanding responsibility because now the civil society has awakened", stated Petrolino Alves. Rosemiro concluded that "managers already see us with a little more respect. Now the new generation needs to keep up the work" (dos Santos: interview 15.07.2014).

Moreover, communities' representatives explained they understand that charity is not the key to a long-term social and environmental change in Barcarena. Handing out food is not changing their future as groups living in the neighborhood. They expect from the industry more transparency with environmental impacts, such as efficient technology to avoid environmental accidents. The local people want technical training for youth to join the market and keep distance from drugs. They want to feel part of the progress and not only the vulnerable audience. For instance, better jobs would lead to better political consciousness, which would lead to better education standards, better public transportation so the kids can go to school and the parents go to work, better healthcare and better wellbeing for Barcarena. Not forgetting the huge potential for generating positive social spillover effects: the adoption of good practices by major firms such as Hydro may exert an upward pull on the performance of local enterprises in the same sector (Ruggie 2003:16-18). Consequently, if Hydro's relationship with local communities succeeds, there

is a greater chance that other companies in town will be pressured to follow the same example.

As reported by IEB, the capacity building process is almost finished. “I would say we are in stage 8 of 10”, said project assistant Rita de Cássia. The Forum program will continue until all three groups are willing to build a common future for Barcarena:

You realize that it is already paying off when you hear a leadership saying that not all problems are the responsibility of companies. Before, this same person used to organize strikes and block the industry gates. Now they want to discuss the problems (Santos: interview 14.07.2014).

Local government believes that the closer the entrepreneurial sector is from the social agents the better will be the relationship. "The participation of Hydro was decisive to the implementation of Intersectoral Forum" says the Secretary.

In addition to that, what is unique about this case study is the unexpected initiative from the business demanding the local government presence in the Forum. Usually, it is the other way around, when local government brings the business to commit them in guaranteeing their responsibilities with the local communities. According to the communities' perspective, municipal government is absent regarding health care, security, public transportation, education and infra-structure. It is also not effective in regards to investing taxes paid by the industry in improvements in the municipality. One called the struggling relationship a ‘ping-pong game’ when company says it is paying the taxes accordingly and local government blames business for social and environmental problems. Recently, the municipal government signed their commitment to join the Forum, and is officially attending the meetings and partially financing it. However, many of the interviewees declared that local government is not demonstrating as much effort during the decision making plans as is Hydro.

To community leader Angela Monteiro, Hydro has already started showing more respect towards local people's demands. "Hydro realized that we are more aware of what is going on and that our proposal is collective. It is a long way, but we are moving forward" (Monteiro: interview 17.07.2014).

Head of CSR in Hydro Barcarena, Elena Brito approves the empowerment of local communities facing local government and asserts that the Forum has been very productive. "Now communities know how to demand their rights if the local government is not doing their job. Meanwhile, we will be trying to help in any way possible until the political power is structured" (Brito: interview 16.07.2014).

Project leader of NCA is sceptical about the future challenges on building a dialogue with civil society in a place like Barcarena, while economy is strong and local people are weak. However, Dale asserts that Hydro role inside the Forum can make a difference. "I have a positive expectation about the presence of Hydro in the Forum. It is an incredible impact and that is when our dream reality starts". Moreover, the NGO alerts that there is a need for constant training new leaders and maintain the idea alive.

6. Conclusion

The purpose of this thesis was to understand why local communities seem to be gaining more power to influence Hydro's aluminium production chain in Barcarena. My aim throughout the thesis was to examine how social inequalities, environmental damages, capacity building and the shift of the industry ownership from Brazilian Vale to Norwegian Hydro had moved local communities forward to gain more power as stakeholders.

The fieldwork in Barcarena was essential to get primary and secondary data about local communities. After literature research and 20 interviews, including elite interviews with Hydro and semi structure interviews with local leaders, it was clear to conclude that local communities demand changes.

As stakeholders, local people want more power to influence the business. They want the business taking communities into account instead of excluding them from the development process. Communities did not approve the industry presence in the 1980's and prefer living the "simple life" (agriculture and fishing). They believed the aluminium complex is not sustainable, both environmentally and socially. There have been 13 environmental accidents in Barcarena since 2003 plus there is an inequality scenario between profits of the industry and social wellbeing (health services, public transport, lack of jobs and housing policies). One thing everyone agrees with is that local communities were not prepared for the industry activities and the consequences. It was their first experience dealing with a big corporation and the communities claim they felt intimidated and did not have enough knowledge (about industry, about the impact in Barcarena, about their rights as local communities).

According to all informants, capacity building gave local communities the most powerful tool: information. Now they know what their demands are and want to be part of the future making of Barcarena. Local communities claim that business has the responsibility to take care of what and where their industrial

activities are impacting. Indeed the business has changed Barcarena's wellbeing and leaders express their dissatisfaction saying that at least the industry should offer jobs for community people and should spend more technology (investments) in avoiding environmental accidents and finally, should be more transparent.

The local people also complain about municipal government. As regulator and inducer of development, the government should protect not only economic interests but, mainly, life. Pointed by many actors as absent in dealing with the social problems in Barcarena, the municipal government is reluctant to admit it. Despite that, it recognizes the role of the capacity building and the Intersectoral Forum as two important instruments for Barcarena and approves the first decisions made by Hydro.

Therefore, this study is a case of local communities struggling their way out of an absent government and relying on their role as stakeholder to increase their power to influence the business and protect their rights.

The analysis was divided in two parts: the first one is from 1970's until 2011, when Brazilian Vale was the main shareholder of the aluminium complex. The second part is represented by the period from 2011 and 2014, when Hydro bought the majority of shares from Vale until the end of my fieldwork. As explained in chapter Five, the study claims that local communities in Barcarena are moving towards the center of the diagram, which means that they are assuming a more powerful stakeholder position. In the first part, local communities are identified as entitled to legitimacy and urgency. However, the group did not have power to influence the business. In sum, local people from Barcarena were not organized and did not know about legislation, sustainability terms, and corporate vocabulary so as to be able to demand their rights. In the second evaluation, the study argues that local communities have gained more power to influence business due to historical discontent with

social economic and environmental situation in Barcarena, capacity building process and the creation of the Intersectoral Forum.

The study also concludes that Brazilian Vale had a very negative reputation but local people had a positive expectation from Norwegian Hydro. One of the reasons for that expectation was the football team sponsored by Hydro since 1999. Being Norwegian was not only positive for local communities' expectations, but also brought the attention of Norwegian NGO NCA as an additional watchdog. NCA started acting in Barcarena after Hydro became the main shareholder of the complex and it is still present in the town.

The question that still stands is how Barcarena will be in the next ten years. Will local community be an influential stakeholder of the future of business in town? Will NGOs IEB and NCA be active in the support of local communities toward challenges? And will the municipal government improve social conditions in Barcarena and demand responsible conduct from business? There is a chance that efforts for an open dialogue lose strength and occasionally fail over time, especially taking into account that there will be a new municipality election in October 2016. Plus, if fundraising is compromised, both the capacity building program and Intersectoral Forum could be over. The future of the status of local communities as powerful stakeholder then lies on the local communities themselves.

Regardless of what would be the outcome of local communities in Barcarena be, this case study can contribute to further understanding of local people perspective towards business in developing countries. As mentioned in chapter Four, there has been a rapid growth of interest in CSR both in management literature and the market itself due to its ability to attract interest from business, civil society, media and government. However, there seems to be little understanding of the role of local communities as stakeholders. During the literature analysis, there were rare examples of research regarding local people's power to influence the corporation. This lack of focus on local

stakeholders is a sign of concern. At the present time, the corporate sector has global reach which complicates cross-country analysis since the delineation between voluntary and mandatory actions of business depends on each national legal framework. In other words, the difference between welfare and business responsibility in Norway might not be the same as Brazilian Amazon perspective. In conclusion, the understanding of the role of local communities as stakeholders can much contribute to improve CSR projects and, equally important, to the sustainable development in developing countries which are often land of an extractive economy.

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